

Failed U.S. Policy Reinforced Noriega

Misjudgments and Agency Disputes Cited as Flaws in Panama Planning

By Robert Pear and Neil A. Lewis
New York Times Service

WASHINGTON — The collapse of the U.S. effort to persuade General Manuel Antonio Noriega to step down as leader of Panama resulted from a series of miscalculations and a fundamental lack of coordination among the agencies responsible for policy toward Panama, according to U.S. officials and diplomats.

While administration officials said they have not abandoned the goal of forcing General Noriega from power, they acknowledged in interviews that their actions have served to embolden the general and made it more difficult to achieve his departure.

For nearly a year, the administration's policy was riddled with misjudgments, and neither the White House nor the National Security Council staff reconciled the conflicting objectives and priorities of different agencies.

General Noriega skillfully played off one U.S. government agency against another. He was heartened by oes reports in late March that the administration's policy was in disarray, U.S. officials said. He dug in his heels when he learned in early April that the Pentagon was fighting State Department proposals to remove him by force.

"The whole explanation for the mismanagement of Panama policy can be found in the workings and dynamics of inter-agency meetings, which failed to produce a sharp instrument to attain our objectives," a White House official said Sunday.

The Central Intelligence Agency repeatedly warned that the effort to oust General Noriega would be difficult because there was relatively little opposition to him within the Panamanian armed forces. State Department officials predicted in March that he would soon be overthrown, but after an unsuccessful coup attempt on March 16, they acknowledged that they had overestimated the number and competence of his opponents in the armed forces.

Treasury Department officials responsible for enforcing economic sanctions against Panama doubted their value from the outset. They said it was a mistake for the administration to argue that the sanctions would quickly bring about the departure of General Noriega. The sanctions have caused economic chaos in Panama, but appear to have hurt the general less than ordinary Panamanians and U.S. companies doing business there.

Similarly, officials at the U.S. Embassy in Panama say the State Department made a mistake by setting deadlines for General Noriega to leave his country. Simply by sur-



General Manuel Antonio Noriega, the Panamanian leader.

viving beyond those deadlines, he won a tactical victory over a superpower, they said.

Current and former officials offered these other examples of misjudgment and the lack of coordination among agencies:

- State Department officials knew that two federal grand juries were investigating General Noriega's links to drug smuggling, but they were not told he would be indicted until three days before the criminal charges were announced on Feb. 5. Justice Department officials cited the secrecy of the grand jury as a reason for refusing to share information with a senior State Department official, who said, "We were caught flat-footed."
- State Department officials expected that the indictments would weaken the general's political position and lead quickly to his resignation as commander of the National Defense Forces. Elliott Abrams, the assistant secretary of state for inter-American affairs, said on March 27 that the general was clinging to power "by his fingertips." But department officials acknowledge that the indictments had the opposite effect, making General Noriega reluctant to surrender power and leave Panama because he feared he could then be extradited to the United States.
- President Ronald Reagan's political strategists were not involved in the discussions of Panama policy. The State Department was surprised when it encountered an outcry of criticism for proposing to drop the indictments if General Noriega resigned. Mr. Abrams said he now realized the deal would have been "wildly unpopular in the United States."

Congressional rejection of Mr. Reagan's proposal to send more military aid to the Nicaraguan rebels had a subtle but significant psychological effect on formulation of Panama policy. State Department officials tended to favor an aggressive policy in Panama to prove, as one said, that the United States was not a "spent force, a paper tiger," in Central America.

"The roles were always reversed," a White House official said. "The diplomats wanted a muscular military policy. The soldiers, who would have to do the fighting, wanted negotiations with Noriega."

Panama policy was forged by an inter-agency advisory panel known as the Policy Review Group, comprising senior officials from the Departments of State and Defense, intelligence agencies and the staff of the National Security Council. The person who presided was the deputy assistant to the president for national security affairs: first, Lieutenant General Colin L. Powell and then, as of November 1987, John D. Negroponte.

General Powell, the current national security adviser and a military officer accustomed to giving orders, was forceful; Mr. Negroponte, a career diplomat, was more cautious, more conciliatory, more reluctant to make crisp decisions if they would offend agencies involved in the secret deliberations.

Among the most influential participants in these meetings was Vice Admiral Jonathan H. Howe, assistant to the chairman of the Joint Chiefs of Staff, who effectively raised questions about Mr. Abrams's proposals to undermine General Noriega.

When, for example, the State Department suggested installing Eric Arturo Delvalle, the ousted president of Panama, in a military compound protected by U.S. troops, Admiral Howe argued that such action would set a precedent that might scare other countries with U.S. military bases.

U.S. Forces Losing Drug War

To Date, Military Has Shunned Law Enforcement Role

By Richard Halloran
New York Times Service

WASHINGTON — Even as Congress moves closer to giving the armed forces more responsibility in the war against drugs, the experience of the last six years suggests that previous efforts by the military have been only marginally effective.

The air force, for instance, dispatched Airborne Warning and Control System surveillance planes crammed with advanced radar and sophisticated computers almost every day last year and this year, seeking smugglers in low-flying aircraft crossing the border with Mexico or the coastlines.

In all of 1987, that effort led to the apprehension of two drug smugglers. So far this year, no arrests have resulted from those missions. With other aircraft, air force operations led to eight more arrests last year and three arrests in the first three months of this year.

The navy devoted 2,500 days of sending out ships and 2,100 aerial sorties to the anti-drug effort last year. The activity resulted in the discovery of 27 ships carrying illicit drugs, the seizure of 168,000 pounds (76,360 kilograms) of marijuana and 1,900 pounds of cocaine and the arrests of 57 smugglers. In the first three months of this year, one ship was found with drugs aboard.

Those experiences illustrate the difficulty of translating into practical terms the anti-drug effort that Congress has set for the fight against drugs, involving the military over the objections of the Defense Department and despite a historical reluctance to have the military act as law-enforcement officers.

That is the assessment drawn from air force, navy, army, coast guard and customs service officials around the country, plus recent reports from the Rand Corp., a private research organization, and the General Accounting Office, an investigative arm of the Congress.

All told, the armed forces spent \$389 million to fight drug trafficking last year. But the accounting office, in a report to Congress, concluded: "We found no direct correlation between resources spent to interdict and the long-term availability of imported drugs in the domestic market."

Moreover, anti-drug operations by the armed forces have hardly been economical. An AWACS plane with upgraded equipment costs \$179 million, not counting the \$50 million a year for operations plus the training of a highly specialized crew.

In contrast, a new Lockheed P-3 equipped with radar aimed to interdicting small planes flying low and slow is to be delivered to the customs service in June and to go into operation in September. It cost \$19 million. A spokesman for the customs service said it plans to buy three more P-3s.

On Friday, the Senate approved a bill that instructs the armed forces to take a greater part in fighting drug traffic, although it did not go so far as an earlier bill passed by the House that requires the military to seal the borders to drug smugglers. The two versions are to be reconciled.

To carry out the intent of Congress, the armed forces may be re-

quired to reorder their priorities from military readiness to drug interdiction and, consequently, to shift their focus of operations. Some commitments of U.S. forces, such as those in the Gulf, may be reduced.

The armed forces, despite their experience since Congress ordered them in 1981 to support the drug-fighting operations of other agencies, have not been effective for several reasons:

- With a few exceptions, drug interdiction has been incidental to military training and operations. Although some navy ships and air force planes have occasionally been dedicated to intercepting drug traffic, most actions have been conducted only so long as they did not interfere with primary duties.
- Equipment aboard ships and planes was designed for a different mission. The seosors on AWACS planes, for instance, were intended to identify Soviet MCG fighters flying at 1200 knots at 45,000 feet (13,720 meters), not small Cessna craft flying at 200 knots at 500 feet. The same is true of crew training.
- There is no coordinated system to use information from the armed forces to determine whether a ship or plane is carrying drugs and to position law-enforcement officers for an arrest. The Rand report said: "The interdiction system is not a single entity."
- Information about drug smuggling collected by the Central Intelligence Agency, the Defense Intelligence Agency, the Drug Enforcement Agency, the FBI and other agencies is not shared.

Although the armed forces had been occasionally supporting anti-drug operations by the customs service and coast guard since 1971, they were given a greater role by Congress in 1981 with a revision of the Fosse Comitatus Act of 1878, which was intended to prohibit soldiers from being used to enforce the law.

'We found no direct correlation between resources spent to interdict and the long-term availability of imported drugs in the domestic market.'
U.S. General Accounting Office

PUBLICATION JUDICIAIRE

CONTREFAÇON DE LA MARQUE "N° 5" DE LA SOCIÉTÉ CHANEL

Par un Jugement en date du 19 Septembre 1988 le Tribunal de Grande Instance de Paris :

- Dit que l'utilisation par la Société ESTEREL PRODUCTION de la marque n° 5 pour désigner un produit parfumé dénommé "SEX APPEAL n° 5" constitue la contrefaçon de la marque "N° 5" dont la Société CHANEL est titulaire.
- Fait interdiction à la Société "ESTEREL PRODUCTION" de faire usage à quelque titre et sous quelque forme que ce soit de la marque "N° 5".
- Ordonne la remise à la Société CHANEL en vue de leur destruction ou devant Huisier aux frais de la Société ESTEREL PRODUCTION de tous les produits portant la dénomination n° 5.
- Condamne la Société ESTEREL PRODUCTION à payer à la Société CHANEL la somme de 60.000 F (SOIXANTE MILLE FRANCS) à titre de dommages-intérêts et la somme de 2.000 F (DEUX MILLE FRANCS) en application de l'article 700 du Nouveau Code de la Procédure Civile.
- Autorise la Société CHANEL à faire publier le dispositif du présent jugement dans trois journaux ou revues de son choix et aux frais de la Société ESTEREL PRODUCTION.

Par un arrêt en date du 22 Mars 1988, la Cour d'Appel de Paris :

- Confirme le jugement du Tribunal de Grande Instance de Paris (3^e chambre - 2^e section) du 19 Septembre 1988 sauf en ce qui concerne le montant des dommages-intérêts alloués à la Société CHANEL.

Rétormant de ce chef et ajoutant au jugement :

- Condamne la Société ESTEREL PRODUCTION à payer à la Société CHANEL :
1° - en réparation de son préjudice, toutes causes confondues, une indemnité élevée à la somme de 100.000 F.
2° - au titre de l'article 700 du nouveau code de procédure civile une somme supplémentaire de 3.000 F.

Dit que la publication du dispositif du Jugement fera mention de sa confirmation par le présent arrêt et des modifications qu'il y apporte...

Great for Music
August 3-31
Yehudi Menuhin Festival

PALACE HOTEL GSTAAD SWITZERLAND
Please call:
Phone 030/8 31 31 Telex 922 222
Teléfax 030/4 33 44
The Leading Hotels of the World

Slowly, Japan Is Warming Up to Israel

By Fred Hiatt
Washington Post Service

TOKYO — Japan's historically cool relations with Israel have entered a gradual warming phase as Foreign Minister Sosuke Uno prepares for a trip next month that will make him the first Japanese cabinet minister to visit the Jewish state.

Mr. Uno's plan to visit Israel and three Arab countries in late June is portrayed here as evidence of an increasingly active role by Japan in world affairs, in keeping with its new economic might. But it also has been welcomed by Israeli officials as a sign of a more even-handed policy in the Middle East.

Japan, which imports two-thirds of its oil from Arab nations, remains far closer to the Arab world than to Israel, with which many of its largest corporations refuse to trade. Some members of the U.S. Congress have criticized the Japanese for demanding free trade in U.S.-Japanese relations while largely honoring the Arab boycott of Israel.

But as the Uno visit shows, things are beginning to change. The

volume of trade between the two nations, only \$400 million in 1985, is expected to reach \$1.2 billion this year. Still, that is less than one-twentieth the total volume of Japan's trade with Arab nations.

Mitsubishi Motors Corp. this year became the first major Japanese auto manufacturer to export to Israel, where, according to an Israeli official, its cars have "become an instant hit."

Trade delegations have exchanged visits, and Tokyo sponsored a "Japan Week" last year in Israel.

"There is some kind of very interesting change taking place," an Israeli official said in Tokyo. "It's a sign of Japan's maturity in the international arena — they came to the conclusion that they have to at least listen to all sides."

A Foreign Ministry spokesman, Yoshifumi Matsuda, and other Japanese officials described Mr. Uno's visit in similar terms, portraying the opening to Jerusalem as evidence of Prime Minister Noboru Takeshita's determination to be more active in world peacemaking efforts.

"We do need a dialogue with

both sides, not just one, but both," Mr. Matsuda said.

But Japanese officials, anxious not to offend their Arab friends, played down the importance of Mr. Uno's trip. Mr. Matsuda said that he could not explain why the visit he was taking place now, 40 years after the birth of Israel and three years after a visit to Tokyo by Yitzhak Shamir, who was foreign minister at the time and is now prime minister.

A high-ranking Foreign Ministry official, who requested anonymity, said Mr. Uno's visit was merely a continuation of Japanese efforts. He said the increase in bilateral trade stemmed exclusively from Israel's improving economy.

"Japan is a global economic power, and if the economic fundamentals turn good, trade will increase," the official said. "It is not political, it is purely economic."

Asked whether he expected Arab nations to object to the increasing trade, the official said, "I cannot say, because the situation is very much sensitive and flexible."

Japanese officials have maintained that they cannot enforce an economic boycott of Israel. But Ja-

1st INTERNATIONAL MARKET OF PRESTIGE REAL ESTATE

THURSDAY, JUNE 2 10 a.m. - 8 p.m.
FRIDAY, JUNE 3 10 a.m. - 10:30 p.m.
SATURDAY, JUNE 4 10 a.m. - 8 p.m.
SUNDAY, JUNE 5 10 a.m. - 8 p.m.

CONVENTION CENTER MONACO

The most prominent top level real estate professionals present a selective choice of more than 2 500 dream houses for sale: Mansions, top class apartments, large estates, castles, wine-growing properties, located in various regions of France and in other countries.

For information, to make an investment, to buy, to sell, don't miss this exceptional event.

More than 2 500 exceptional real estate properties for sale

Organized SOULEILAND (Manager, Hervé PULCRIN)
CANNES - FRANCE, Tel: 93.99.55.19 - 93.99.04.03 - Telex 462 916

Exhibition of fabulous scale models



Pan Am makes business more of a pleasure.

Number one across the Atlantic.

PAN AM

In Clipper® Class you'll have more room to work or relax in our wide, six across seating.

BRIEFS

Annual Assembly
... with President...

Port Falers
... general strike...

Manjshir Is Clear
... United Nations...

Adrian Local Vote
... local elections...

Manila Threatens
... national ballot...

Hong Kong Support
... Secretary...

UPDATE

Global Paper

Herald INTERNATIONAL Tribune

Published With The New York Times and The Washington Post

Out to Mars Together

During President Reagan's visit to Moscow this week, his host will have engaged him in serious talk about a favorite subject, the stars. "Drop 'star wars,'" Mr. Gorbachev is doubtless saying. "Let's have our countries go together to Mars instead."

Leave aside for a moment the cost and risk of sending humans to Mars. What would they do when they got there? Mars is a cold, dry place, swept by hurricane-force dust storms. Its atmosphere, one-hundredth as thick as Earth's, has almost no oxygen.

It might take a millennium, but one day people could venture out from the bubble domes of the early colonies into air more like Earth's. "Over the coming centuries," writes James Oberig in "Mission to Mars," "the blood-red planet... could be gradually replaced in the skies of Earth by a soft-colored, gleaming, green-tinted jewel."

Missiles to the South

From Moscow, where their meeting has begun, it is not a bad moment for American and Soviet leaders to look south. Arms control is on the summit agenda, and the issues are not limited to those two governments. In the tier of countries below the Soviet Union's border, three separate arms races are under way, and the military importance of missiles is rapidly increasing there.

The most dangerous of the three is in South Asia, since India demonstrably has the capacity to build nuclear weapons and Pakistan is evidently very close to it. With the weapons within reach, both countries have been giving attention to the means of delivery. India has developed powerful rockets for, it says, meteorological research. Pakistan, The New York Times reports, has built and tested a missile able to carry a warhead to Bombay or New Delhi. China earlier gave Pakistan some help in designing a nuclear bomb, and it seems similarly to have given help with the new missile. The steady progress of both these hostile neighbors toward the most ferocious and destructive of weapons ought to be the subject of at least a few minutes' discussion in Moscow.

Arms races are also under way between Iran and Iraq, and between Israel and its Arab neighbors. Iran has been getting missiles, including the famous Silkworm, from China. The missiles with which the Iraqis

seems justify a manned mission; robots could do the job more efficiently.

Going to Mars jointly with the Russians adds a new dimension. Involving the bureaucracies of both countries in a large, long-term venture could create a common interest and give politicians many shared goals to celebrate. The cost of the mission need not be too great, especially if the Russians picked up half the tab. A crash program would be expensive, but a deliberately paced venture staged over 20 years would present more acceptable annual costs.

No one suggests abolishing the U.S. space agency. Yet its annual \$9 billion budget is mostly wasted as NASA gropes for a sense of purpose. When the space shuttle flies again and the palatial space station takes shape, Congress will have to double the budget just for the hardware.

At present, NASA has a mishmash of missions designed to appeal to all possible constituencies. Scrap those: focus attention on Mars, and the project need not cost much more than NASA will otherwise waste on its present, visionless course.

Other Comment

Their Unfinished Work

Flags make for wonderful parades, but waving them clouds reason and constricts sympathy. Even as President Reagan was an honored guest in the Soviet Union, a veterans' group in a New England town barred a group of visiting Soviet teen-agers from the town's Memorial Day parade on Monday.

Speaking for the Patriotic Societies of Greenfield, Massachusetts, William Pelosky, commander of the Veterans of Foreign Wars Post 417, said that the decision was not intended to reflect on U.S.-Soviet relations, or on the character of the 10 Soviet cultural-exchange students. But having those youngsters in the town parade, he said, would bring up bad memories. After all, in the Korean and Vietnam Wars the Soviet Union supplied weapons to troops against which the United States was fighting.

Mr. Pelosky's patriotism is more admirable than his reasoning. It is hard to believe that Greenfield veterans would bar visitors from Britain, Mexico, Spain, Italy, Germany and Japan because Americans once fought against their ancestors. Indeed, many local residents, including veterans, were so upset by the exclusion that they arranged special reviewing-stand space for the Soviet visitors.

Liberties Have Had to Be Fought For

WASHINGTON — It was a stiff, cold wind blew off the Potomac and moved the trees on the Mall. In the light of the setting sun, the long shadows of their swaying branches danced on the grass like faded banners. A steady flow of people — in the hundreds — moved down the sloping path and up the other side past the dark wall that is the National Vietnam Veterans Memorial.

100, 75 AND 50 YEARS AGO

1888: Ayrshire's Derby
EPSON — A glorious Derby Day! The occasion [May 30] could not have been better. First of all the favorite won. Ayrshire was the easy winner. The Duke of Portland is in wonderful luck, and adds the Derby to the laurels he has won this season.

Other Comment

level." But can appeals [for reform] get a hearing without a democratization of the political system that permits and promotes support of the governed for government projects? This is still scarcely the case in most of the countries in Eastern Europe, and the YCL leader's address gives no evidence of significant progress in this domain.

Neither the sacrosanct system of self-management nor the jealously guarded autonomy of the separate republics, which paralyzes the central government, is seriously challenged. Yet again the regime relies on cautious compromises to carry on. This method could well result in an impasse — and the disintegration of a society.

We can be proud of planting this sapling...



A Long Road From War Harangues to Summits

LOS ANGELES — Thirty-seven years ago this spring, a young actress named Nancy Davis quietly took along her boyfriend and future husband, Ronald Reagan, to a political meeting in Hollywood.

The speaker was actress Zsa Zsa Pitts, who was working for Richard Nixon in his Senate race against Helen Gahagan Douglas. The rhetoric was typical of what was becoming one of the most controversial campaigns in the history of American politics.

At that rally for Mr. Nixon, Mr. Reagan was caught up in the frightening imagery of the postwar world. The United States and the Soviet Union had emerged from their victorious wartime alliance with new night and a rivalry that produced in both countries an anxious, belligerent xenophobia and an accompanying domestic security mania.

At this rally for Mr. Nixon, Mr. Reagan was caught up in the frightening imagery of the postwar world. The United States and the Soviet Union had emerged from their victorious wartime alliance with new night and a rivalry that produced in both countries an anxious, belligerent xenophobia and an accompanying domestic security mania.

The U.S.-Soviet Dialogue Is Proceeding

DUBLIN — As this comment appears, the Moscow summit is in full swing. I belong to those who are reasonably confident about its positive outcome. Viewed in perspective, this meeting is but a periodic high point in a new political process: the U.S.-Soviet dialogue.

step, always the hardest, has been taken to start a verifiable dismantling of an entire category of nuclear weapons. The second step must and will follow. It is reasonable to expect that, despite some awkward sticking points, the summit will further advance the work done by specialists on the draft instruments for deep cuts in strategic nuclear arms in the near future.

Both President Ronald Reagan and General Secretary Mikhail Gorbachev have emphasized the importance of improving the capacity of the United Nations and international institutions to contribute to the resolution of regional conflicts. Afghanistan illustrates the indispensable UN role. The mediator, representing the secretary-general, acts not just as a go-between but as an impartial third party who crafts the plan for settling the conflict.

Mr. Delors Could Be Mr. Europe

BRUSSELS — Europe badly needs a "Mr. Europe" — a politician of power and stature whose constituency is not national but international. Europe's drive to regain its strength through greater political and economic unity demands a leader who can stand shoulder-to-shoulder with prime ministers and presidents. Luckily, there is one at hand.

There is one at hand. Europe since the days 40 years ago when visionaries like Jean Monnet, and later Robert Schuman, set out to build the foundations of the present European Community out of the rubble of World War II. Now the need for a successor to the title is urgent.

Today, Jacques Delors, the present head of the EC Commission, is poised to emerge as just such a Mr. Europe. His term ends in December, but it appears likely that he will be asked to keep the job for another four years. President François Mitterrand's decision not to appoint Mr. Delors, a former French finance minister, as his new prime minister means that he is free to stay in Brussels.

Other Comment

level." But can appeals [for reform] get a hearing without a democratization of the political system that permits and promotes support of the governed for government projects? This is still scarcely the case in most of the countries in Eastern Europe, and the YCL leader's address gives no evidence of significant progress in this domain.

Neither the sacrosanct system of self-management nor the jealously guarded autonomy of the separate republics, which paralyzes the central government, is seriously challenged. Yet again the regime relies on cautious compromises to carry on. This method could well result in an impasse — and the disintegration of a society.

step, always the hardest, has been taken to start a verifiable dismantling of an entire category of nuclear weapons. The second step must and will follow. It is reasonable to expect that, despite some awkward sticking points, the summit will further advance the work done by specialists on the draft instruments for deep cuts in strategic nuclear arms in the near future.

Both President Ronald Reagan and General Secretary Mikhail Gorbachev have emphasized the importance of improving the capacity of the United Nations and international institutions to contribute to the resolution of regional conflicts. Afghanistan illustrates the indispensable UN role. The mediator, representing the secretary-general, acts not just as a go-between but as an impartial third party who crafts the plan for settling the conflict.

step, always the hardest, has been taken to start a verifiable dismantling of an entire category of nuclear weapons. The second step must and will follow. It is reasonable to expect that, despite some awkward sticking points, the summit will further advance the work done by specialists on the draft instruments for deep cuts in strategic nuclear arms in the near future.

Both President Ronald Reagan and General Secretary Mikhail Gorbachev have emphasized the importance of improving the capacity of the United Nations and international institutions to contribute to the resolution of regional conflicts. Afghanistan illustrates the indispensable UN role. The mediator, representing the secretary-general, acts not just as a go-between but as an impartial third party who crafts the plan for settling the conflict.

Advertisements on the right margin, including 'Mr. Delors Could Be Mr. Europe', '100, 75 AND 50 YEARS AGO', and 'Liberties Have Had to Be Fought For'.

OPINION

Elysium Has Its Flaws

By Charlotte Evans

WASHINGTON — When people find out that I have spent a sabbatical year in New Zealand, I can't escape. "Tell me about it," they implore. "Is it as beautiful as they say?" Urban Americans seem to think of New Zealand as Elysium. Visions of woolly lambs dance.

island, that you can live happily ever after by eating fish. With beef and lamb selling for the American equivalent of about \$3.90 a pound, prime fish is now about \$10.35 a pound. And I never saw abalone (they call it paua, dive for it and cook it in oyster shells) in any fish store. Blame the export market. The only shrimp are Australian and frozen.

MEANWHILE

winter. The milkman delivers to your door. The lamb chops are sublime. But if you are thinking of living there, it is only fair to note a few imperfections. Mortgage rates, currently about 17 percent, are not tax deductible.

For the most part, requests for decaffeinated coffee bring only stares. There are two television stations, with a third due to start broadcasting next year. That wouldn't be so bad if one or the other weren't always carrying 498 straight hours of rugby or cricket in between bouts of "Dallas" or "Dynasty."

This Time the Summiters Had a Professional Run-Up

By William Safire

MOSCOW — At last we face the possibility of a subsidized Reagan-Gorbachev summit meeting. After the euphoria of Geneva, the frenzy at Reykjavik and the super-salesmanship in Washington, we approach R-G IV somewhat subdued. It's a pity we have to break up the team just when they're getting the hang of it.

The reason that this summit may be historic is that its run-up has not been historic. Instead of concentrating on arms control, as the Russians always want, the U.S. plan this time was to address the entire range of relations, a linkage that nettles the Kremlin.

Ronald Reagan's intention here to dwell on human and religious rights at first caused a touch of diplomatic froth to invigorate these warm Moscow summit nights. But Mikhail Gorbachev knows that he cannot now demand an arms deal in case his economic plight, ever since Richard Nixon and Henry Kissinger withdrew their support of the proposed strategic arms reduction agreement, that plan was doomed for this presidency.

What ingredients are left with which to bake a respectable summit pie? The Soviet leader scorns rights for dissidents because he is encouraging free speech for non-dissidents who will castigate his bureaucratic enemies. Nor do cultural exchanges and navigation treaties make the kind of news to grace the Reagan sunset or the Gorbachev party conference.

That leaves "regional issues" — the euphemism for American-backed resistance to Soviet imperialism — as the test of superpower progress. Afghanistan is all but solved; Ethiopia, with its proximity to the Middle East, is too useful to the Russians to solve now, despite the famine; the occupation of Cambodia by Vietnam is not ripe for solution; with the contras abandoned, the Russians have no incentives to help make peace in Central America; and Eastern Europe, which is so un-Russian that it calls itself Central Europe, is an area where the coming turmoil catches America without a policy.



Military Spending: Either More of It or Smarter Use

U.S. Representative Patricia Schroeder (Letters, May 18) did advocate lower defense expenditures for all, in her essay on military burden-sharing ("The Allies Are Free-loading," May 3). She has always suggested this, regardless of the circumstances. My opinion column "Burden Sharing: The Allies Are Doing Their Part" (May 13) did not reflect any misunderstanding of her position.

A Cure for Bad Aides

In his opinion column "A Severe Case of Bad White House Aides" (May 11), Jim Hoagland describes only the symptoms of a disease created by campaign image-making, which somehow is allowed to continue past the elections.

Another Rising Unless

The Palestinian rebellion in the Israeli-occupied territories is being choked and will probably die within a few weeks. It seems that Israel has found a way to restore "normalcy" to Gaza and the West Bank. No doubt, however, a similar uprising will occur soon unless Israel starts seeking a political solution.

Budd: Bad Sports Win

Several articles have appeared in recent weeks on the Zola Budd controversy. As a young athlete, I find it sad that in an Olympic year the individual rights of an athlete are so casually dismissed.

LETTERS TO THE EDITOR

Political autonomy for the Palestinians would break through a psychological barrier to peaceful coexistence in many minds. It deserves a try. HAIM HABIB, Agaña, Guam.

International sports events have for centuries provided a temporary respite from the social and political problems of the day, encouraging a spirit of courteous competition and multicultural interchange. What a pity that the organizations responsible for continuing this fine tradition have been corrupted by a few countries and individuals. Can sportsmanship no longer provide a safe refuge from political strife? ALAN STARR, Cologne, West Germany.

Thank you, Mr. Rousell, for sharing your insight about the man you know. For this American, living outside the United States, without the resources to discover these facts on my own, and being exposed solely to newspaper stories that do no justice to the man you portrayed, it is difficult to know in whom to put my trust in November. DIANA PTAK, Grasse, France.

Regarding the opinion column "This George Bush You Ridicule is Unknown to Me" by Peter Rousell (May 19): Thank you, Mr. Rousell, for sharing your insight about the man you know. For this American, living outside the United States, without the resources to discover these facts on my own, and being exposed solely to newspaper stories that do no justice to the man you portrayed, it is difficult to know in whom to put my trust in November. DIANA PTAK, Grasse, France.

Regarding "American Voters Seem to Like Magic" (May 13) by Anthony Lewis: Mr. Lewis challenges historians to "explain why Americans in the 1980s were determined to believe in pie in the sky." I believe this is more a question for psychologists. Still, as a historian I do not disagree that we must be fully aware of the wider implications of allowing her to compete on the British track and field team. But we must not fall prey to political pressure. It will be a tragedy, after her years of sacrifice, hard work and commitment, if Zola Budd is denied a chance to test herself against the world's best athletes. ANNE PINARD, London.

GENERAL NEWS

Iraqi Troops Sweep Iranians From Part of Occupied Lands

By Patrick E. Tyler Washington Post Service SHALAMCHEH, Iraq — In a continuing military campaign that in Western circles seemed improbable six weeks ago, the Iraqi Army has completed a major sweep of Iranian occupation forces from part of Iraq's southern territories. On this dusty, desert battlefield 15 miles (24 kilometers) east of the southern port city of Basra, a bombed-out police station is the only trace of the border town that once stood here.

Iran's Revolutionary Guards — the zealous combatants at the vanguard of Tehran's front-line forces — staged what appeared to be an uncharacteristic and hasty withdrawal Wednesday in the face of a concentrated Iraqi drive in the international border. After a four-hour tour of the battlefield, it is apparent that Iraq now controls the eastern approach in Basra, Iraq's second-largest city, and has cleared a corridor all the way to Shalamcheh, where Iranian Revolutionary Guards dug in during a January 1987 offensive.

The Iraqi victory followed an April offensive in which Baghdad's forces removed Iranians occupying the southern Faw peninsula. Left behind in the scarring heat were acres of empty trenches, sand-mound emplacements, barbed wire, tank snares and mine fields. Also lingering in the air was the stench of death from several hundred Iranian corpses, along with the unanswered question: What is happening in Iran? President Saddam Hussein of Iraq, in an address to the military on Saturday, asserted that the Iraqi Army had established a new battlefield superiority. He said that "time is in our favor" in liberating the remaining border areas occupied by Iran, because Iranian soldiers "lack the motive and morale by which they used to fight."

Ozal Meets Arafat On Visit to Libya

ANKARA — Prime Minister Turgut Ozal of Turkey, on a three-day official visit to Libya, met the Palestine Liberation Organization leader, Yasser Arafat, in Tripoli on Monday. Turkey's Anatolian News Agency gave no details of the talks between Mr. Ozal and Mr. Arafat, who arrived in the Libyan capital on Sunday. The agency said the meeting was requested by Mr. Arafat, in Tripoli, for reconciliation talks with the Libyan leader, Colonel Moammar Gadhafi after a six-year rift. Mr. Ozal earlier had separate talks with Colonel Gadhafi. Mr. Ozal, quoted by the Libyan news agency JANA on Sunday, said Turkey regarded the PLO as the sole representative of the Palestinian people and praised the Palestinian uprising in the Israeli-occupied Gaza Strip and West Bank. Before leaving Ankara, Mr. Ozal said he would try to persuade Libya to withdraw an objection to letters of guarantee from Turkish banks for major construction projects. Libya wants Turkish Central Bank guarantees instead. About 25,000 Turks work for 25 Turkish construction firms in Libya on projects estimated to be worth a total of \$400 million.

Comments by diplomats and military observers in Baghdad seemed to lend credence to the Iraqi president's statement. Diplomats whose countries maintain relations with both sides describe Iran's leadership as being in political disarray, while its popular support for the war appears to be waning. The first Western journalists to reach this battleground, reclaimed by Iraq's 3rd Army and Republican Guard forces, found evidence that the nine-hour Iraqi blitz had met with little resistance. Iranian gun emplacements and bunkers were littered with unused ammunition, grenades, small rockets and bullets. Artillery positions were in a similar state, with small piles of spent shell casings next to stacks of wooden crates filled with unused shells. Iranian troops left behind their gas masks, clothing, portable equipment and personal effects. Iraqi gunners still were sending artillery salvos into an area just north of Shalamcheh, apparently to flush out Iranian troops still occupying areas east of the large, man-made water barrier known as Fish Lake. News-agency reporters who toured the battlefield Thursday said Iraqi escorts took them to a desert area in the battle zone and told them they were looking at Fish Lake, which they said had been drained over the past year to facilitate a counterattack. In traveling to the border zone, reporters riding in four-wheel-drive military vehicles passed through the layered defenses the Iraqi Army erected over the last year to protect Basra from any major Iranian assault. Massive earthen berms, concrete bunkers and heavily fortified trenches have been constructed in concentric rings through the desert. Thirty-foot mounds, rising like small pyramids on the horizon, served as artillery and observation platforms. Acres of barbed wire, tank obstructions and mines filled the no-man's land between each Iraqi defensive line. Iraqi troops, according to several military officials, are under orders not to talk to visiting journalists about this offensive or the earlier one to recapture Faw. Western reporters also were not allowed to speak to 350 Iranian prisoners, who Iraqi officials said were captured during the offensive. "You may only photograph them," said one Iraqi officer, who said he was not allowed to give his name. Despite this silence, the Iraqi Army's actions on the war front make clear the new strategy of its political leadership under Saddam Hussein. After 10 months of waiting for the United Nations to enforce the cease-fire resolution passed by the Security Council last July 20, Iraqi leaders say they once again are taking the war into their own hands in hopes of forcing Tehran to accept international terms for peace. There were signs during the weekend that Iraq's new offensive line was having an effect. Diplomatic sources said that Iran appears more amenable to a new international peace initiative. Other diplomatic sources in Baghdad said the United States and other Western countries were now urging Iraqi officials to show more flexibility toward any new cease-fire formula advanced by the UN secretary-general, Javier Pérez de Cuéllar. But as one Western official said, "I think we are in a phase where the Iraqis have come down in granite that Iran must first accept Resolution 598." The UN resolution calls for a cease-fire, withdrawal to international borders, exchange of prisoners and an inquiry into the origins of the war. In the immediate future, diplomatic sources in Baghdad expect Iraq to continue its offensive strategy. A Western diplomat said, "A great unknown is the extent of disarray in Iran." Following a parliamentary election campaign in which so-called "radicals" and "militants" increased their representation in the 270-seat Majlis, or parliament, the Iranian leadership appears distracted by an extended period of political turmoil as rival factions attempt to consolidate power in the new assembly.

Our sunlovers spend hours in the shade.



Though it may seem incredible, there are times when even the most fervent sun-worshippers and lovers of the Spanish countryside are enticed indoors into the shade. This is no ordinary shade. It's one filled with artistic inspiration and history. The kind of shade you find in museums. In painting, for example, Spain's art galleries can be numbered amongst the most important in the world. Besides thousands of works of art by foreign painters, our galleries offer the best collections of paintings by world-famous Spanish artists: Velázquez, Goya, Murillo, Sorolla, Juan Gris, Picasso, Miró, Vázquez Díaz, Dalí... It's worth a visit to Spain just to admire its superb art treasures. Here you'll find it's not so difficult to give up the sun for a few hours. Spain. Everything under the sun.

MEMORIAL NOTICE To the memory of ROSE ANN LISKA With sympathy and love to her parents in Pennsylvania from her family in France.

THE MOSCOW SUMMIT: In Angolan hills, Namibian exiles also seek news from the Kremlin talks.

Soviet History Exams Canceled Until Texts Are Brought Up to Date

By Esther B. Fein
New York Times Service
MOSCOW — The Soviet Union has canceled final secondary-school history examinations...

historical information, being revealed for the first time in newspaper and magazine articles, television programs and films.



A Russian woman kisses Nancy Reagan's hand after the first lady visited the grave of Boris Pasternak, the author of "Doctor Zhivago."

Namibians See Hope for Independence

By James Brooke
New York Times Service
CABUTA, Angola — In coming days, when evening settles over the plank cabins and thatched huts in the hills here, Namibian exiles will gather around their shortwave radios...

the withdrawal of Cuban troops from Angola for the independence of South-West Africa, the South African-administered territory widely known as Namibia.

280 kilometers (175 miles) north of the Namibian border in Lubango, a city in southern Angola protected by anti-aircraft batteries.

The South Africans maintain that they are winning the war against the guerrillas, although they fear that if elections are held in Namibia, the rebel group would win.

SUMMIT BRIEFS

Soviets Aim 'Supervodka' at U.S.

MOSCOW (AP) — While Soviet authorities wage a domestic war against rampant alcoholism, they are giving Vladimir A. Yamnikov their official blessing to perfect a "supervodka" for export to American drinkers.

A Presidential Slip of the Tongue

MOSCOW (UPI) — President Ronald Reagan said Monday that he was comfortable meeting with dissidents in the Soviet Union because he often met with "some rather disagreeable people at home."

Soviets Invite Sakharov to Meet Press

MOSCOW (Reuters) — Andrei D. Sakharov, spiritual father of Soviet dissidents throughout the 1970s, said Monday that he had been invited by Foreign Ministry officials to give a news conference at the end of the Moscow summit meeting.

SUMMIT: Reagan Renews Plea

(Continued from Page 1)
Addressing a group of bearded monks and church leaders dressed in traditional black robes, Mr. Reagan cited the words of Mr. Solzhenitsyn in calling for a renewal of religious faith in the Soviet Union.

Bonn Reports AIDS Deaths

BONN — A total of 881 people have died of AIDS in West Germany, the government said Monday. It also reported 2,052 known cases of acquired immune deficiency syndrome, twice the number recorded in March 1987.

Deposed Soviet Aide, Yeltsin, Says Ligachev Should Be Dismissed

By David Remnick
Washington Post Service
MOSCOW — Boris N. Yeltsin, who was dismissed from the Kremlin leadership last year after making a controversial speech criticizing his more conservative colleagues, said Monday that the ideology chief, Yegor K. Ligachev, was "slowing down" the pace of reform and should be dismissed.

ro if reforms were to succeed, and Mr. Yeltsin said: "It is up to the Central Committee. But, of course, it would be possible to develop the process more actively with someone else in that post."

Mr. Yeltsin denied that, contrary to some reports, he had spoken out in his speech to a Central Committee meeting last October against Raisa Gorbachev, the wife of Mikhail S. Gorbachev.

Mr. Yeltsin, who had given an interview to the German edition of the Moscow News earlier this year and spoke briefly with a reporter from The Washington Post at the May Day parade, almost certainly had permission from Mr. Gorbachev to meet with CBS and BBC.

He did, however, say that he had criticized Mr. Ligachev directly in the speech.

Jonathan Sanders, a Columbia University professor of Soviet politics who accompanied the CBS team to Mr. Yeltsin's office for the interview, said:

With South Africa publicly opposed to Namibian independence, some Namibians fear that Angola will be tempted to make a separate peace with South Africa.

"If you read the tea leaves, Mr. Yeltsin is saying, 'Throw the rascals out and start with Mr. Ligachev.' He's saying they don't need an old-style Stalinist bureaucrat like Yegor Ligachev."

Pravda Reports Call to Eliminate State Planning

MOSCOW — Soviet leaders have discussed the possibility of eliminating state economic planning altogether as a way to accelerate reform, the Communist Party newspaper Pravda disclosed Monday.



President Reagan talking Monday with Abe Stolar, an American who went to the Soviet Union in the 1930s and wants to leave.

DISSIDENTS: Talk of Hope

(Continued from Page 1)
Important as a symbol," said Alexander Podrabinek, who was imprisoned in the 1970s for his role in revealing the use of the Soviet psychiatric system against political dissidents.

At the table of Secretary of State George P. Schultz sat Petro Roman, a Ukrainian activist who was freed from labor camp a week ago and told not to come here.

ASSESS: A Missionary's Dream

(Continued from page 1)
stricting travel in and out of the U.S.S.R., your economy will be limited in its ability to be part of the world economy."

Two of the Jews present, Inna Uspenskaya and David Shvartsman, refused the proffered cookies, saying they were in the midst of hunger strikes.



"It's easy to dress like a millionaire..."

مکان من النحل

IN THE M

Sept. 15, 1987: Losses Seats in E

March 11: Wage Sparks Large Pro



April 22: Norway

Oil Restriction Po

May 4: Nuclear Im Reported Diverted

Jolt Fr Leaves

By Henry He

O SLO — Three year

At the table of Secretary of State

Among those seated at Mrs. Nancy Reagan's table was a Lithuanian nationalist, Nijole Sadunaite, whom the president has publicly hailed.

Two of the Jews present, Inna Uspenskaya and David Shvartsman, refused the proffered cookies, saying they were in the midst of hunger strikes.

ASSESS: A Missionary's Dream

stricting travel in and out of the U.S.S.R., your economy will be limited in its ability to be part of the world economy."

Norway: Trying Times

A Process of Adjustment

Economic, Political Shocks Prompt New Questions

Rise of far right may transform political scene.

By Hilary Barnes

OSLO — Norway is creating and growing under pressures of fundamental change. Political upheaval is threatened in the parliamentary election of September 1989 by the rise of the populist, far-right Progress Party. The economy is being forced to adjust to the country's status as a major producer of oil and gas from the North Sea and to the switchback ride inflicted by fluctuating oil prices. And important decisions about Norway's place in the international community lie ahead, especially the question of whether to join the European Community.

The political establishment was shocked by an April opinion poll that gave Prime Minister Gro Harlem Brundtland's Labor Party 27 percent of the vote, down from 40.8 percent in the 1985 election; the Conservatives 21.4 percent, down from 30.4 percent, and the Progress Party 23.5 percent, up from only 3.1 percent in 1985.

The Progress Party is led by Carl I. Hagen, 43, a television personality. The April poll result was widely attributed to the TV exposure he gained when the party's annual congress was held just before the survey was taken.

Mr. Hagen's populist mixture includes a general denunciation of the establishment politicians for incompetence and time-serving, and a demand for a more restrictive policy on refugees (an influx of refugees from the Middle East and Iran in 1986 and 1987 has upset the ethnocentric Norwegians). He also wants a tougher line on crime and big tax reductions.

These points have considerable appeal to blue-collar workers, traditional supporters of the Labor Party. The ruling party, however, has become increasingly dominated by the employees of the vast public sector.

A major scandal in the past year also played into the hands of Mr. Hagen last year, when massive cost overruns were uncovered at the state-owned oil company Statoil's most presti-



David Stone

gious project — a new crude storage terminal and extended refinery at Mongstad on the west coast. Latest figures now put that overrun at over \$1.3 billion.

The country's acute economic problems, caused by the fall in oil prices since 1985, have also helped Mr. Hagen. The crisis has hit many Norwegians hard, since home purchases are largely financed with variable-interest loans from banks. Rising interest rates have caused a sharp rise in personal bankruptcies.

A statutory wage policy, limiting wage increases this year to 5 percent (including wage drift and carry-over from 1987) and disallowing plant-level wage negotiations until next

spring, was imposed by Mrs. Brundtland's government in March.

The policy was implemented with the consent of LO, the Norwegian Federation of Trade Unions, and was seen as essential if wage inflation was to be brought under control after hourly wage costs increased 14 percent last year. (Half of the increase was caused by a reduction in working hours.)

Mr. Hagen has denounced the wage policy, calling it the kind of policy that one might have expected in Mussolini's Italy in the 1930s.

Mrs. Brundtland's government took office in May 1986, when the three-party coalition of former Prime Minister Kaare Willoch's Con-

servatives and the two small non-Socialist parties, the Christian People's Party and the Center Party, both largely based on a rural vote, resigned. The Willoch government was defeated on a tax issue by a coalition of Labor and the Progress Party. (There is no right of dissolution in the Storting, or parliament, for which elections are held every four years.)

Although Mrs. Brundtland does not have a majority, she has proved adept at playing off the Conservatives against the small parties and is set to remain in office until the next election.

The rise of the Progress Party has made the outcome of next year's election unpredictable. However, unless the Conservative Party, which

is now led by Jan P. Syse, can re-establish cooperation with the Christians and the Center Party, the three will not present a credible alternative government and the way may be open for Labor to divide the right and rule.

Norway's international relations are dominated by its membership in the North Atlantic Treaty Organization, its proximity to the Soviet Union, with which it has a common border in the far north, and the future of its economic relations with Western Europe.

Mrs. Brundtland must deal with a certain amount of restiveness among party activists, who want the country to adopt non-nuclear policies, such as banning nuclear-armed warships from Norway and establishing a formalized Nordic nuclear-free zone (the Nordic countries are already de facto nuclear-free). These policies, however, are incompatible with Norway's NATO obligations.

However, Mrs. Brundtland, whose own pro-NATO credentials have often been in doubt, appears to have the party firmly under control.

For many Norwegians, the long-standing and massive Soviet naval buildup in the Kola peninsula makes NATO essential. As one of the few members that has lived up to NATO's 1979 call for a 3 percent increase in military spending, Norway generally stands in high regard with NATO.

THE DECISION in the 1950s not to permit foreign troops to be stationed on Norwegian territory has its drawbacks for those countries, notably the United States, that are committed to reinforce Norway in case of trouble. Norway does permit equipment to be stored for reinforcing troops, but, as part of its policy of "defense and reassurance" (reassurance to the Soviet Union that it does not plan to attack the Russians), these bases are sited in mid-Norway, which is not where the incoming troops would be operating.

The outstanding issue in relations with the Soviet Union is the question of a line of division into economic zones in the Barents Sea. No progress has been made on this matter. The Norwegians were disappointed that, having agreed to a compromise line of division with Sweden in the Baltic in January, the Soviets were not prepared to budge from their position on the Barents Sea.

Leading politicians in most parties are unhappy with the fact that the country is not a

Continued on page 8

IN THE NEWS

Sept. 15, 1987: Labor Party Loses Seats in Elections

In a setback to the minority government of Prime Minister Gro Harlem Brundtland, the Labor Party loses seats in local and regional elections. The far-right Progress Party wins 12.2 percent of the vote, up from 6.2 in the 1983 local elections and 4.6 percent in the 1985 general election.

March 11: Wage Legislation Sparks Large Protests

The government of Prime Minister Brundtland introduced legislation limiting pay increases for most workers over the next year to one krona per hour. Thousands of workers in Oslo and 10 other cities stage strikes to protest the imposed labor settlement.

April 22: Norway Extends Oil Restriction Policy

A week ahead of the Organization of Petroleum Exporting Countries meetings in Vienna, Norway says it will extend a voluntary 7.5 percent reduction in the planned growth of its petroleum output until the end of this year. Norway, Western Europe's second biggest oil producer after Britain, is not a member of OPEC, but last year it began voluntary cutbacks to support the 13-nation cartel's efforts to boost oil prices.

May 4: Nuclear Ingredient Reported Diverted

Norway says that a significant amount of "heavy water," a key ingredient in the manufacturing of nuclear weapons, is missing and appears to have been diverted into the international black market for such materials. A spokesman from the Norwegian Foreign Ministry said the diversion appeared to be a result of an international conspiracy involving a West German company.

Seeking a Correction

Jolt From Declining Oil Prices Leaves Economy With a Hangover

By Henry Henriksen

OSLO — Three years after rumbling oil prices ended the money supply bonanza and the private overconsumption of Norwegians, the country is still fighting an economic hangover, and it still has a long way to go before economic imbalances can be corrected.

Norway faces considerable challenges. A gap has emerged between what it produces and what it uses. For a number of years, industries exposed to competition have seen only a modest increase in production, an increase that is too small for the economy to tolerate low oil prices over a long period.

Increases in prices and costs in the 1980s have been more rapid than in the countries with which Norway competes. In the 1985-1987 period, strong private consumption contributed to a serious deterioration in the balance of payments.

The oil price jolt turned a surplus on the current account balance of 27 billion kroner (\$4.5 billion) in 1985 into a deficit of 33 billion kroner in 1986 and 32 billion kroner last year. For 1988, revised figures show a deficit of 24 billion kroner.

The economy is still subject to excessive pressure, but Gunnar Berge, the minister of finance in the minority Labor government that succeeded a Conservative-led coalition government two years ago, said that the situation is improving.

Reflecting this improvement, the central bank cut its key interest rate at the beginning of May to 13.3 percent from 13.8 percent amid signs that the country's problems with high costs and trade imbalance could be receding.

Mr. Berge noted that people were beginning to understand that far-reaching and very serious problems must be overcome.

"There are signs that the economy will be back on track by 1990-91," he said in an interview.

Rising taxes but only moderate cuts in the growth of public spending are among his remedies for economic recovery.

However, his policy is sharply criticized by the conservative opposition, which wants real tax cuts and lower public spending. It says that increased public spending means that the Labor government cuts the share of the total resources that should help industries exposed to competition.

The opposition has also attacked an income policy settlement that was accepted by the trade unions only after the government offered to lower the pension age from 67 to 65 years.

A critical issue is the extremely high interest rates, which vary between 14.5 percent and 16 percent for first priority mortgage loans.

The Conservatives and other non-Socialists say that, as long as Labor does not want to carry out necessary economic steps, the interest rates will remain high.

Mr. Berge says that no new credit restrictions or taxes are planned for 1988 because steps already taken over the last two years appear to have been effective.

They include a significant squeeze, affecting financial and credit policies as well as the



Mr. Berge, left, and Gro Harlem Brundtland at a news conference.

Finance Minister Gunnar Berge anticipates recovery by 1990-1991.

income policy cooperation with the labor unions.

Mr. Berge pointed out that, after a dramatic 20 percent increase in private consumption between 1984-1986, consumption went down by 2 percent last year and was expected to be cut by another 2 percent this year.

Trade figures, excluding oil, rigs and ships, showed falling imports and rising exports. While exports stagnated between 1984-1986 and imports rose by 40 percent, exports rose by 25 percent between 1986-1988 while imports stagnated.

Daily oil production is over one million barrels. The value rose from 56.9 billion kroner last year to an estimated 57.5 billion kroner this year. Rising production compensated for a price of \$18.50 per barrel last year to \$16.20 this year.

In 1985, oil constituted 40 percent of the export earnings and 20 percent of the state revenues. Last year, lower prices and a lower dollar brought oil revenues down to 18.1 billion kroner, or 7 percent of the total revenues, while the 1988 figures were 12.3 billion kroner and 5 percent, respectively.

A major problem is an extreme shortage of labor and costs. The fact that the government will maintain high growth in the public sector will increase the pressure, experts said.

The unemployment rate has varied between 1.5 percent and 2 percent. In the Oslo area, it is even down to 0.2 percent.

Last year the public sector absorbed half of the employment growth, cutting access of labor for market-orientated activities. Figures also showed that profitability of export-related and investment projects were declining.

Wage drifts, made possible because of the tight labor market, have for years been a major cost problem in the fight by Norwegian industries to retain markets.

This spring, however, the labor unions agreed on an incomes policy settlement, which was voted into law by parliament. Under it, wage drifts are banned and any increase beyond 5 percent is illegal, except minor adjustments for special low-bracket groups.

The government aims to lower the consumer price index to 5 percent this year from 8.1 percent last year. But Mr. Berge's fight against inflation received a serious setback when the March index jumped 1.4 percent from February's index.

This means that from March to December, the index can only rise 1.6 percent. Experts say this is wishful thinking.

A combination of the new wage law, falling domestic demands, rising oil prices and the high interest rate explain why the Norwegian krone remains firm, silencing rumors of a possible devaluation.

HENRY HENRIKSEN is a journalist based in Oslo.

1987 Financial Highlights

In 1987 two companies joined forces to form one of Norway's largest industrial enterprises.

In their first year Aker and Norcem together achieved —

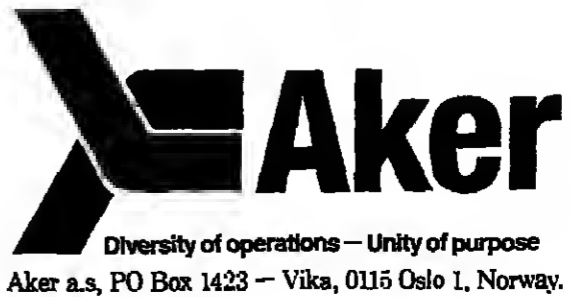
- * a 35% increase in sales to NOK 13 021 million
- * a 17% increase in income (after financial items) to NOK 474 million
- * a 20% increase in earnings per share to NOK 10.61

During the year, the group continued to expand in its principal areas of business which include the production of cement and heavy building materials, civil engineering and construction, offshore construction and services as well as property development.

The merger with Norema, Scandinavia's largest producer of furnishings and fittings, and the acquisition of Norwegian Contractors, a world leader in offshore concrete structures, are important developments in the group's activities.

In 1988 the group has continued to focus on a greater international involvement in the cement and concrete industry by joint venture acquisitions in the USA and of Castle Cement in the UK.

Now, with a new name, Aker a.s. is going from strength to strength in Norway, the European Community — and the world.





Trading at the bourse in Oslo.

Bourse Shows Cautious Revival

Special to the IHT
 OSLO — A strange blend of liberalization and tighter restrictions is changing the face of Norway's stock market, amid signs of a limited recovery from its slump at the time of the world shares crash.
 The Oslo exchange made some of the best gains of any stock market during last year's boom, with prices repeatedly hitting record highs during the normally sleepy summer months.
 But the October crash drove prices down and discouraged foreign investors, who accounted for at least one-fifth of total turnover before the slide. The computer maker Norsk Data, a leading blue chip stock, lost 75 percent of its value in five months.
 A gloomy price outlook for Norway's vital North Sea oil, high industrial costs and inflation coupled with a sizeable foreign trade deficit compounded the feeling that Oslo was a market to avoid as any costs.
 The picture now has changed to some degree, with a sustained rally of several weeks and the all-share index hovering around the 300-point mark for the first time since November.
 "There has been a feeling that the market may have been oversold in places and there is some guarded optimism about the economic outlook," said Alison Brady, a Nordic analyst with Enskilda Securities.

Ms. Brady and other analysts cited a wage control law introduced by Norway's minority Labor government, rallies on bigger world share markets and improved prospects for firmer oil prices as elements that had improved the outlook.
 "Foreign investors are coming back into the market now, but only in selected, top-traded stocks," Ms. Brady said. "They're very cautious and will only deal in areas where liquidity is good. They're not likely to provide the impetus they gave the market last year. Norway's economy is not out of the woods yet."
 The cautious revival has come just as the Oslo bourse is undergoing changes that are aimed at bringing it into line with more modern world markets and less subject to frequent allegations of insider trading.
 "It's a curious set of reforms by most standards, said an Oslo-based analyst who asked not to be identified. "There's elements of government regulation combined with liberalization seen in recent years on other exchanges."
 The Norwegian parliament is expected to pass a tough law governing share trading and the exchange within the next few weeks.
 First proposed last summer, the law will allow the Finance Ministry to write the stock exchange rules and appoint its board members. It will also increase the penalty for insider trading to three years in prison from the current six months.

Brokers have welcomed the government's initiative as necessary to clean up the exchange's unruly image. "It's a small market and subject to being rumor-driven," Ms. Brady said. "This law is to be welcomed."
 On the side of liberalization, the Oslo exchange switched from the old-fashioned auction system to continuously updated electronic trading in March—a measure which greatly improved efficiency.
 "It's worked very smoothly so far," said the bourse spokesman, Roy Halvorsen. "It creates a more efficient, professional market, and it's also a step toward cleaning up the exchange's image."
 The electronic trading system has boosted liquidity, with all deals—both on and off the exchange floor—reported within five minutes.
 Trading hours also have been extended in the 150-year-old exchange, which has room for 40 brokerage houses and 80 brokers. Transfer of share ownership will be guaranteed by the independent Verditipsentralen, an electronic clearing house, within four days.
 Options trading, which has grown into a vast market in neighboring Sweden but which has been largely mistrusted and ignored by authorities in Norway, also looks set to become a reality soon on the Oslo exchange.
 Last month, the Finance Ministry produced long-awaited guidelines for options which have yet to be approved by parliament.

Despite Alliances, Autonomy On Oil Is Jealously Guarded

By Felicity Goodall

OSLO — The presence of a Norwegian observer at a joint meeting between members of the Organization of Petroleum Exporting Countries and seven oil-producing countries from outside the organization may have been a break with past practice, but it did not signal an end to Norway's cherished autonomy.
 Norway has cooperated with OPEC since the present Labor government came into power in May 1986. A current decision to observe a 7.5-percent production cut accounts for a reduction of 85,000 barrels a day.
 Oil Minister Arne Oeien has stressed many times that Norway took this measure, which can be halted at short notice, only on the understanding that OPEC's own attempts to stabilize prices should be successful.
 Mr. Oeien walks a tightrope between an increasingly cozy relationship with OPEC and a seat on the board of the Western nations' International Energy Agency, which was set up in the wake of the energy crisis that followed the 1973 Middle East war.

take measures to stabilize crude prices without being bullied into them by OPEC.
 Conversely, it showed that Norway had not been influenced by pressure from the United States, which was lobbying non-OPEC producers to prevent cooperation with OPEC.
 Standing as it now does on the center stage of world oil politics, with more than just a walk-on part, Norway has come a long way in the last 26 years.

industrial scandal, his successor, Harald Norvik, has had the unenviable task of picking up the pieces and reorganizing the company.
 But Mr. Norvik said recently that the project was "under control" although commissioning of the refinery will be delayed six months until May of next year. The Mongstad project is central to Statoil's development as a "fully integrated oil company." Critics have said that refinery capacity could have been hired in

Norway's oil minister walks a tightrope between an increasingly cozy relationship with OPEC and a seat on the board of the Western nations' International Energy Agency.

In fact, Norway's observer at the Vienna oil meeting in April traveled on to Paris to a board meeting of the IEA, which is made up of 21 of the 24 members of the Organization for Economic Cooperation and Development. The only major OECD state outside the IEA is France.
 The non-OPEC countries attending the Vienna meeting were Mexico, Egypt, Angola, Malaysia, China, Oman and Colombia. Apart from Colombia, they said they would cut their production by 5 percent during May and June if OPEC agreed to join their effort to whittle down the global oil glut and shore up prices.
 Norway's IEA membership, like its cooperation with OPEC, is not unconditional.
 For instance, it does not automatically comply with IEA contingency plans in the event of a crisis. Instead, a decision on Norway's stance would be taken by the government.
 As IEA members realize, there is no danger of Norway actually becoming a member of OPEC.
 In fact, closer cooperation might be seen as a menace to Norway's independence. For the minority Labor government, this could amount to political suicide.
 Although Norway's current production cut is effective until June 30, the government took the trouble to announce four days before the Vienna meeting that it would be continued into the second half of 1988.
 This enabled the Norwegian representative to travel to Vienna with an up-to-date account of Norwegian policy.
 It also confirmed Norway's willingness to

In the fall of 1962, a now legendary delegation came from Bartlesville, Oklahoma, to Norway.
 Phillips Petroleum Co. had decided there might be untapped oil reserves off Norway. Phillips contacted the only Norwegian company's executives had ever heard of, Trygve Lie, the former United Nations secretary general.
 Their interest was met with disbelief.
 It was a skepticism echoed by many. One geologist said he would happily drink all the oil likely to be found off the Norwegian coast.
 Today, Norway puts out over 1 million barrels a day. Oil and gas now accounts for one-fifth of the gross national product and nearly half of Norway's exports, making them the cornerstone of the economy.
 When the first major find, Ekofisk, was discovered in late 1969, Norwegians muttered darkly that "where there's oil there's trouble."
 No doubt many had forgotten that sentiment until last August, when massive cost overruns were uncovered at the state-owned oil company Statoil's most prestigious project—a new crude storage terminal and extended refinery at Mongstad on the west coast. Latest figures now put that overrun at over \$1.3 billion.
 The scandal felled one of the country's most prominent industrial figures, Arve Johnsen, Statoil's president, who tendered his resignation in November.
 In the wake of what was Norway's biggest

neighboring Sweden for a mere \$300 million.
 As a young oil nation, Norway is naturally anxious to build an independent infrastructure. This is evident, too, in Mr. Oeien's desire to retain three Norwegian oil companies.
 Apart from Statoil, Norsk Hydro A/S and Saga Petroleum A/S are the other Norwegian players on the country's oil industry.
 Two years ago, merger talks were held with several foreign oil companies because of financial troubles at Saga. But the company held out and, with the help of creative and clever accounting, registered record profits in a massive turnaround for 1986.
 But Saga's future as an oil company hangs on the Snorre project. Some analysts have declared that the project should be postponed until the price of crude reaches \$25.
 The Petroleum Directorate has downgraded the Snorre field's reserves by some 26 percent, and even Norsk Hydro, a partner in the field, has recommended that it be delayed.
 When Mr. Oeien announced that Snorre would go to the head of a line of projects waiting to start up in the Norwegian North Sea, he admitted it was risky.
 "But I can live with that risk," he said. "If we delay it any longer then Saga will be killed as an oil company and will just be a financial institution."

FELICITY GOODALL, a journalist based in Oslo, is a correspondent for McGraw Hill and the Sunday Times of London.

As Europe Opens Markets, Norwegian Bankers Watch, Worry

By Hilary Barnes

OSLO — Last year's financial problems have become political ones this year, with the ruling Labor Party reviving a plan to "democratize" the banks.
 "Nineteen-eighty-seven turned out to be a very difficult year," according to the opening sentence in the annual report from Den norske Creditbank (DnC), Norway's largest commercial bank.
 The Norwegian bankers are worrying about the impact on their operations of the liberalization of trade in financial services

in Europe. They were therefore disappointed when Finance Minister Gunnar Berge told them to drop any ideas about mergers between the larger banks. He said that competition among Norwegian banks is what counts, not whether they are able to compete internationally as well.
 Norwegian isolationism also stopped a bid to build up a Nordic insurance group with the muscle to compete with the continental giants.
 Sweden's biggest insurer, Skandia, made an agreed bid for 25 percent of the shares in Norway's second biggest insurance company,

Vesta. But Skandia had to drop the bid when the Storting, or parliament, approved legislation restricting the foreign holding in Norwegian financial service companies to 10 percent.
 Foreigners can buy over 50 percent, which counts as a direct investment, but the foreign-owned company can only buy "unrestricted" that is open for sale to foreigners, shares in Norwegian companies and they can only buy real estate after obtaining government permission.
 DnC itself had a net loss of 1.23 billion Norwegian kroner (\$205 million) and a negative cash flow of 2.5 billion kroner, on a balance sheet total of 127 billion kroner.
 The bank's chief executive, Leif Tjøff Loeddesoel, was forced to resign in January as a result. In 1986, the bank registered an unsatisfactory performance as well, and the bank inspectorate has criticized DnC for shortcomings in its control routines.
 Under its new chief executive, Kristian Rumbjør, called in from a senior position in Aker, the industrial company, DnC has reversed Mr. Loeddesoel's program for diversifying the bank's operations domestically and abroad. The bank is now concentrating on

restoring profits in its basic banking business. The loan portfolio and the securities portfolio are being reduced, foreign exchange trading cut back and stringent profit targets have been imposed on branches. A quick return to profit is promised in the 1987 annual report, but it does not say that this will happen this year.
 Christiania Bank, the second largest bank, also recorded a hefty loss, 366 million kroner before year-end allocations on a balance sheet total of 104 billion kroner.
 Many smaller banks had an equally poor year. Of the bigger banks, only Bergen Bank showed a profit, although profits before year-end adjustments fell from 395 million kroner to 161 million kroner. Bergen Bank was the only one of the three big banks to pay a dividend.
 Six of the eight foreign banks in Norway made money last year.

The two that did not were Citibank and Chase Manhattan, which have very small operations in Norway. Manufacturers Hanover, with a balance sheet of 1.8 billion kroner, made 16 million kroner, making it the biggest of the foreign banks.
 THE LOSSES by the banks came from two main sources. DnC lost 959 million kroner on equities trading, of which 301 million kroner arose from trading in Norwegian equities. Trading limits were not observed, and when Black Monday arrived, the bank was in trouble. Its former chief dealer in foreign equities is currently on trial in Oslo on charges arising out of the losses sustained by the bank.
 The second source of losses were provisions to cover customer

losses in a wide range of businesses. Shipping and the oil sector accounted for very little of the provisions, which were mainly for losses by manufacturing, trade and service industries.
 This has its parallels in many other countries. Quantitative credit controls in Norway have gradually been abandoned, creating a much more competitive environment for banking.
 This, combined with the reluctance of the authorities for political reasons to allow interest rates to rise, led to a very rapid expansion of credit. The banks concede now that in their bid for market shares they were much too generous in leading to small businesses.
 When falling oil prices turned a domestic boom into a severe recession, the banks were caught by surprise. So, too, were the politicians, who could not prevent interest rates from rising generally, al-

New Issue April 14, 1988

Union Bank of Norway
 Oslo, Norway

A\$ 50,000,000
 13 3/8% Subordinated Bonds due 1993

WESTDEUTSCHE LANDESBANK GIROZENTRALE	SECURITY PACIFIC HOARE GOVETT LIMITED
ANZ MERCHANT BANK LIMITED	BADISCHE KOMMUNALE LANDESBANK GIROZENTRALE
BANKERS TRUST INTERNATIONAL LIMITED	BAYERISCHE LANDESBANK GIROZENTRALE
BNP CAPITAL MARKETS LIMITED	DAIWA EUROPE LIMITED
DEUTSCHE GIZOZENTRALE - DEUTSCHE KOMMUNALBANK -	DRESDNER BANK AKTIEGESELLSCHAFT
HESSISCHE LANDESBANK - GIZOZENTRALE -	KREDITBANK INTERNATIONAL GROUP
THE NIKKO SECURITIES CO. (EUROPE) LTD.	NORDDEUTSCHE LANDESBANK GIROZENTRALE
SPAREKASSEN SDS	VEREINS- UND WESTBANK AKTIEGESELLSCHAFT
WESTPAC BANKING CORPORATION	WOOD GUNDEY INC.

YAMAICHI INTERNATIONAL (EUROPE) LIMITED

INTERNATIONAL
Herald Tribune
 Published With The New York Times and The Washington Post

Don't miss the following
Special Reports
 in the
International Herald Tribune
 in June

Greece — June 7
 Sweden — June 16
 France Economy — June 17
 Canada — June 18
 Luxembourg — June 22
 Japan — June 27
 Egypt — June 29
 Technology Quarterly — June 30

For further information, please contact your local representative
 or Rolif D. Kranepuhl, International Herald Tribune,
 181, Avenue Charles-de-Gaulle, 92521 Neuilly Cedex, France,
 Tel.: 46.37.93.00, Telex 613595 Herald, Telex: 46.37.93.70.

Union Bank of Norway
 The 'S'

By Felicity Goodall

When the project was "under control" although commissioning of the refinery will be delayed six months until May of next year. The Mongstad project is central to Statoil's development as a "fully integrated oil company." Critics have said that refinery capacity could have been hired in

Manufacturing
 By Hilary Barnes

OSLO — Manufacturers' union is set to vote in a referendum on 25% of the country's manufacturing industry.

The new plan does not appear to have any chance of finding majority support in the Storting. It could probably only be implemented if Labor made gains in the 1989 election.

The banks are now being forced to make more money on their traditional domestic banking business, a point that the bank inspectorate has emphasized. This means that more services to customers carry direct charges and the margin between interest earned and interest paid, after narrowing for several years, will probably widen again.

A national charge card system is being introduced with the cooperation of commercial and savings banks. It should be in use all over the country by the end of 1989.

Changes Lie Ahead

Continued from page 7

member of the EC. They are especially concerned that this isolates them from participation in foreign policy cooperation among EC countries. However, with the completion of the EC's internal market in 1992, the economic issues arising from non-membership are also becoming of urgent interest.

It is widely assumed that by the 1990s Norwegians will be ready to agree to membership in the EC.

However, the dispute over membership in 1972, when it was rejected in a referendum, was so traumatic that the country is not likely to apply again for membership until there is a virtual consensus on the issue. That does not yet exist, and opinion polls continue to show a considerable, if reduced, majority against membership.

HILARY BARNES, a financial journalist based in Copenhagen, publishes a monthly report on business and economic developments in Scandinavia.

هكمان الاصل

Wage Issues ■ Spending Scandals ■ Restructuring

Unions and Employers: The 'Siamese Twins'

By Felicity Goodall

OSLO — When thousands of industrial workers were locked out in April 1986, some analysts believed the action signaled the end of a traditionally cozy relationship between Norway's unions and employers.

But even the "Star Konflikt," or great conflict, the country's worst labor dispute in 55 years involving 100,000 workers, failed to rupture strong ties in a society where class barriers are almost nonexistent. And now, leaders of both the employers' and union federations say that their relationship is closer than before.

For example, given Norway's current economic difficulties, the two sides have agreed on the need for concrete measures to curb inflation. An agreement limiting wage increases to 5 percent was concluded in February by the employers and the largest trade union federation after the unions insisted that the rest of the nation's work force should be subject to the same limit.

The agreement would have been unpalatable to the 300,000 affected under the employers-union federation agreement if it had not applied to the remainder of the 2.17-million work force. So it became the catalyst for government legislation this spring limiting all wage increases to 5 percent, the most severe economic constraint since a 15-month wages and price freeze imposed 10 years ago.

According to opinion polls, a majority of Norwegians favor the new measure. "We can't speak for nonunion members but the Parliament can, and the law has been passed by Parliament," said Olestein Gulbrandsen, research director of the Norwegian Federation of Trade Unions, the Landsorganisasjonen i Norge.

"The point is that we wish to go along with a limit on wage growth so that in the longer term we can build up a more competitive industrial sector." Neighboring Sweden was shocked, according to Olva Magnusson, director of Norway's Federation of Employers.

"Essentially, the relationship between employers and unions in Sweden is more antagonistic, more traditional," he said. "Sweden is much more feudal. In Norway this kind of collaboration and understanding has always been the case, there have never been deep class divisions, and our basic agreement on working conditions goes back to 1935."

"This is a small country, so small that you can see the minister at any time. It is essential to have a good working relationship with government, and that is particularly good with this present one."

Prime Minister Gro Harlem Brundtland's Labor Party and the union federation are often described as the "Siamese twins."

Nowadays, the Labor Party is threatened by the Progress Party of Carl I. Hagen who is seeking blue-collar workers' support for his policies that include tightening controls on immigration.

The Labor Party sprang from the federation not long after its formation in 1899. And the present chairman of the federation, Leif Haraldseth, was

'We will see an increase in unemployment because policy is directed toward reducing consumption.'



Above, workers at an aluminum plant. Left, Carl I. Hagen, leader of the Progress Party which seeks tighter controls on immigration, talks with workers.



Per Skarvheim/Almapressen

minister of local government and labor until last year.

Mr. Gulbrandsen is himself a former undersecretary of state for consumer affairs and public administration. "The worker in Norway is used to having representatives in central positions in the government," Mr. Gulbrandsen said. "We in the trade union federation believe in trying to change society through parliamentary work, that is our way."

Unions outside the federation believe the relationship is unhealthy. The president of the 165,000-strong Confederation of Vocational Unions, Jan Frederik Andersen-Gott, led a strike on March 11 to protest the "undemocratic" manner in which the wage freeze was agreed. Some 400,000 people took part. "We believe the law was necessary, but secret negotiations were going on last year about this," he said. "We were not involved in negotiations and it was a demonstration of power and arrogance. We had agreed that we would cooperate with the government to limit wage increases but we feel cheated. It was not fair play."

The "Siamese twins" have their roots in Norway's traditional heavy industries, usually based in outlying districts. In some of these areas, the unemployment rate stands at 7 percent or 8 percent whereas in Oslo it is only 0.4 percent. The national figure is 2 percent.

Kjell Stahl, head of Norway's Labor Directorate describes Norway as "an island of employment in a sea of unemployment" — the rest of Europe. "My job is to provide manpower, but it is not there," he said. "The government has a policy of increasing employment in export earning sectors but many of these are capital intensive, not labor intensive."

There are 12,000 registered vacancies but a report last year claimed there were 90,000 other jobs that were unfilled because employers knew they would not find the necessary skills among the available work force.

"We will see an increase in unemployment because policy is directed toward reducing consumption, which will mean less spending, less demand and therefore less demand for labor. Also because of a crisis in banking and insurance we will see a decline there," said Mr. Stahl.

By the year 2010, Mr. Stahl thinks Norway will have an increasingly mature and diminishing work force trying to cope with the problems of a large land mass and growing welfare costs.

Plagued by Crises, State Industry Tries To Regain Footing

By Henry Henriksen

OSLO — Norwegian industry is struggling to regain its footing after a year of spending scandals, high wage and production costs, low oil revenues and vows by the Labor minority government to cut subsidies to state industry.

Topping the list of crises is a 120 percent cost overrun by the state oil firm Statoil at its Mongstad refinery expansion project — Norway's biggest industrial scandal. The plant, just north of Bergen, was to have been a showcase of domestic petroleum technology and Statoil's ticket to becoming a fully integrated oil firm, with refining and marketing operations backing its North Sea oil output.

Instead, it went 6 billion kroner (\$1.5 billion) over its original 6.8 billion kroner 1984 budget, becoming a household word for unbridled state spending.

A probe by a government-appointed committee revealed a lack of managerial cost control, led to government investigations of Statoil and revived an old debate on what role, if any, the state should play in national industry.

The project will go ahead — it is to be completed next year — but Statoil recently conceded that the plant would never show a profit. Labor, with Mongstad fresh in the public mind, has announced plans to trim subsidies to state industry and initiate a gradual transition of state shares to private hands.

Norway last year channeled 1.4 billion kroner to state industry in either direct subsidies or loans, a slight drop from the 1.7 billion kroner spent in 1986. But Finance Ministry officials say that 1988 subsidies will likely match the 1.3 billion kroner adjusted average over the last five years, when all funding is tallied at the end of the year.

The battle to ease outlays to industry has focused on 80 percent state-owned Norsk Jernverk A/S, the country's biggest steel maker. (Its 1986 output was 360,000 tons of pig iron and 660,000 tons of steel.) It is slated to receive millions of kroner in state help this year.

The government has decided to restructure its main iron ore mine, mill and smelting works at the town of Mo i Rana, near the Arctic Circle, shutting down 40 years of iron ore based production and threatening about 2,500 jobs. The fight over Mo i Rana re-

flects a decade-long dilemma for Norway. Despite efforts to build up manufacturing industries, capable of competing abroad, Norway remains largely a nation of primary industries — highly vulnerable to fluctuating commodity prices — with oil and gas exports replacing more traditional fish, lumber and mineral exports.

Working against this goal are high wages and prices. Inflation, although easing, is still far higher than that of most of Norway's trade partners. Industrialists have watched their traditional exports shrink, while domestic market shares give way to imports. Latest figures, however, have shown markedly improved trade results.

A December survey by the Federation of Norwegian Industries showed that a 5 percent drop in industrial investment is expected after a 20 percent drop last year. But economists said the figure was too optimistic and predict a further 15-20 percent investment decline following the October stock market crash.

Some of the slack has been taken up by the offshore industry, which brought a wave of new orders to shipyards during the oil industry's boom years in the 1970s.

But high costs and a tight labor market have hampered their bid for foreign contracts and limited their activity mainly to the domestic oil fields.

Norway has also met criticism at home and abroad for lagging in its efforts to adapt to changing international markets, especially the European Community.

The four million Norwegians rejected EC membership in a stormy 1972 referendum. But the government last year cautiously encouraged a new debate, partly from fear of losing export outlets to Western Europe as the EC completes its internal market in 1992.

About 65 percent of Norway's trade is with EC members. Despite signs of diminishing resistance to membership, the issue has failed to rouse a mostly indifferent public.

To guard against exclusion from the 320 million-member market, some Norwegian companies are acquiring subsidiaries and production units with the EC.

One such move was the purchase last month by Aker Norcem A/S, an offshore engineering and construction group — of Cement Besic, a subsidiary of Rio Tinto Zinc and Britain's second biggest cement maker.

Manufacturers Struggle to End Dependency on Oil

By Hilary Barnes

OSLO — Manufacturing industry output in Norway has risen by a modest 10 percent since 1980, a significantly lower rate than that of its European neighbors.

The reason for the slow growth is the inflationary impact of the oil-related sector on costs in manufacturing, which has steadily lost market shares both abroad and at home since the early 1970s. One of the main long-term goals of government economic policy is to create the conditions under which traditional manufacturing industry can expand, so that industry does not become completely dependent on orders from the offshore oil and gas business.

Keeping Norwegian costs from getting too much out of line with other countries is crucial to this strategy. Gas itself, used for power generation, may, however, provide an important basis for future industries, just as cheap hydroelectric power formed the basis for the industrialization of Norway by the power-intensive aluminum, ferro-alloy and pulp and paper industries early this century.

This prospect is still no more than a gleam in the eye of the industrialists. Meanwhile, Norsk Hydro is already using natural gas in the production of artificial fertilizers, of which it has become, through a series of acquisitions in Europe, the biggest European producer. Natural gas is also the basis of a substantial petrochemical industry, mostly owned by Statoil and Norsk Hydro.

Production of metals is dominated by Norsk Hydro and Elkem. Norsk Hydro is by far the biggest Norwegian producer of aluminum since the state's aluminum producer, Aardal Og Sunndal Verk, was merged with Norsk Hydro with effect from last year. The half-state-owned Norsk Hydro also produces other light metals, including magnesium.

Elkem, whose 1987 turnover was 7.59 billion kroner, is a major producer, in addition to aluminum, of ferro-alloys and silicon metal from plants in Norway and the United States and Canada where Elkem took over Union Carbide's silicon and ferro-alloy divisions three years ago. Elkem's acquisition of the Union Carbide plants left it with a big debt financing burden during a period when the ferro-alloy markets remained consistently weak. Its chief executive, Kasper Kjelland, resigned at the end of last year, acknowledging that he had failed to meet profitability targets. After a recovery in metal prices in 1987 and this spring, Elkem expects a return to profitability in 1988 after two years of losses.

Pulp and paper are another of Norway's traditional products, dominated by Saugsbrugsforening and Norske Skog, although Norway, with an output of about 2 million metric tons of pulp and 1.6

Companies have undertaken considerable restructuring.

million metric tons of paper, is the junior partner to the Swedish and Finnish paper-makers, which each produce four times as much paper as Norway.

Norsk Data, the computer and data processing systems company, is the star among the newer Norwegian industries, but after a decade of rapid growth, Norsk Data ran into serious problems in 1987 when profits fell from 475 million to 235 million kroner and its share price plunged. But the price recovered this spring in response to swift and determined action by the company to cut back loss-making ventures in the United States, India and France and to concentrate its

operations in its profitable markets, especially Scandinavia, Britain and West Germany. Norwegian companies have responded to the challenge posed by high Norwegian costs by undertaking considerable restructuring in the past three or four years, a process which has led to the formation of bigger units with more financial and market clout.

A major reorganization in the electro-technical industries took place when the biggest Norwegian-owned group, Elektrisk Bureau, was merged with Nordisk Elektrisk Brown Boveri merger last autumn. This created a Norwegian

group with 15,000 employees and a turnover of over 10 billion kroner, making it the second largest nonoil-related manufacturing company in Norway.

Orkla, both an investment company and metals and manufacturing interests, has come together with Borregaard, food processing and forest products.

Aker, formerly a major shipbuilder which now has property and offshore engineering interests, has joined forces with Norcem, monopoly cement producer and offshore group.

The engineering industries, among which Kvaerner is one of the biggest names, have become highly dependent on the level of investment activity in the offshore oil and gas industries. But the government is constantly trying to ensure that demand pressure from offshore investments does not cause the offshore-related industries to suck dry resources for the rest of the manufacturing sector.

With offshore oil and gas investments totaling 32 billion kroner, double the amount invested in manufacturing industry in 1987, the battle to maintain a balance

between the offshore industries and other industries is likely to remain a dominating theme of industrial policy.

Changes Lie Ahead

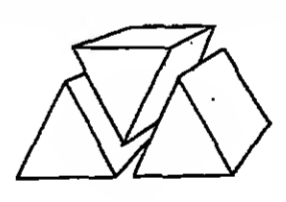
KVÆRNER OF NORWAY

The Kvaerner group of Norway has gained an international reputation in mechanical engineering, offshore construction shipbuilding and shipping by concentrating on technically advanced products within special markets

Key figures from Kvaerner 1987:	1987	1986
Invoiced turnover	NOKm 5,728	5,496
Result before ex. items	NOKm 333	269
Cash Flow	NOKm 509	403
Order intake	NOKm 8,183	5,207
Return on total capital	% 9.4	8.8
Earnings per share	NOK 26.71	21.75
Number of employees	8,433	8,545

KVÆRNER
Kvaerner Industrier A/S
P.O.B. 100, Skøyen
N-0212 Oslo 2 Norway

This announcement appears as a matter of record only.



Norges Hypotekinstitut A/S
Langsiktig finansiering—Sjø, Luft, Land

U.S. \$35,000,000

Transferable Multi-Currency Revolving Facility

Arranged by
Merrill Lynch International & Co.

Senior Lead Managers

Banque Cantonale Vaudoise
Cassa di Risparmio di Roma
Copenhagen Handelsbank A/S

Lead Manager
Banco Nacional Ultramarino

Managers

Banco Exterior de Espana, S.A.
Banque Nationale de Paris Norge A/S
Crédit Lyonnais Bank Sverige
Gulf Riyad Bank E.C.

Co-Managers

Banco Borges e Irmao
Caisse d'Epargne de l'Etat du Grand-Duché de Luxembourg, Banque de l'Etat

Facility & Tender Agent
Banque Nationale de Paris

April 1988

ARTS / LEISURE

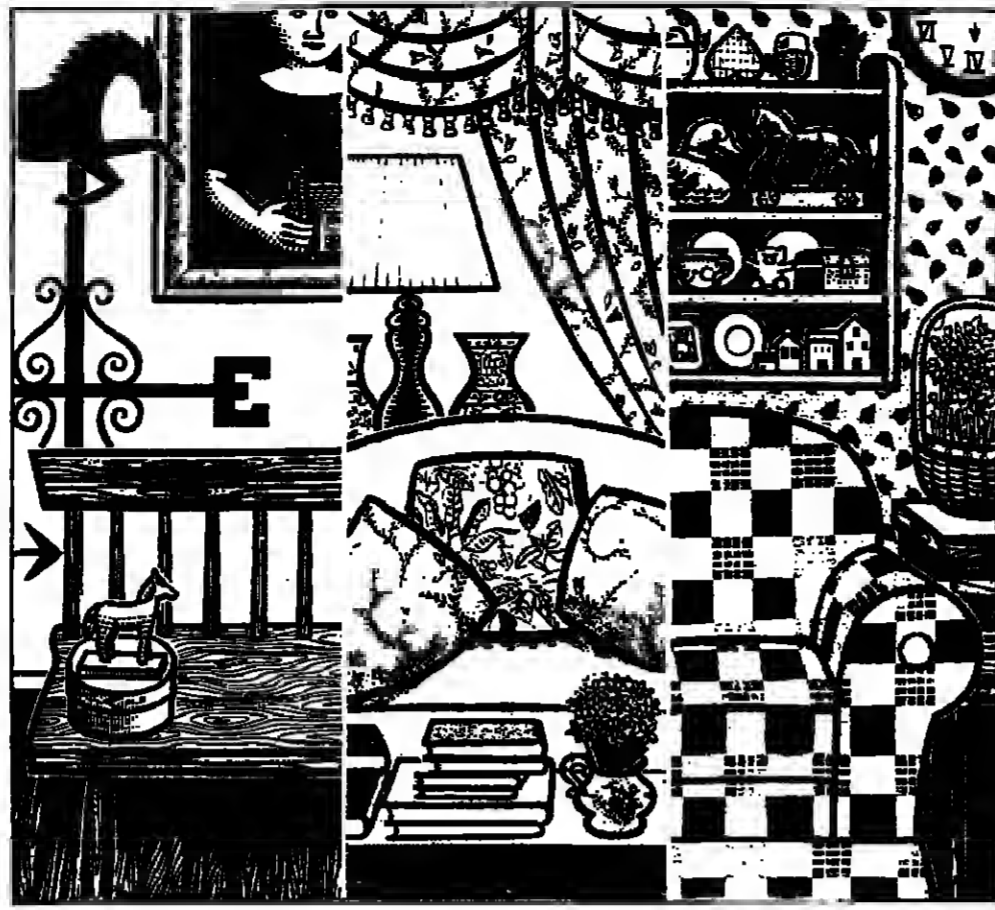
Country Look Is Fashionable In Urban U.S.

By Elaine Greene
New York Times Service
NEW YORK — These days the word country means big business in American towns and cities.

farmhouse is cozy and homey and replete with solid moral values," said Arlene Kagle, a New York psychologist. "We think of it as full of good smells."

None of these country decorating magazines existed before 1973, when the current leader, Country Living, was introduced.

What does this reveal about American taste today? "Most people who are educated in this country have a sense that a



Some aspects of the country style designs that are moving into American towns and city dwellings.

with a strong component of American folk art. The third is a look that is deliberately quaint and cluttered with collectibles.

Some country elements, like quilts and rag rugs, can be found in any of the country looks.

Many urban decorators have become proficient at country styling. William Diamond, a New York City designer, said he has come to feel that "no other kind of decorating captures such a homyness. Even if your mood is stark, the warmth envelopes you."

Ronald Bricks, another Manhattan designer, said: "I never try to create period rooms in weekend houses, but I love the relaxed American country mix in such a setting. Part of it involves finding local pieces, or at least employing local craftsmen."

Andrea Wilson is a labor arbitrator who lives with her husband, Fred, a banker and an artist, in a SoHo loft and a plain Long Island house attached to an old barn. She said of her country life: "I am a better person in wainscot."

American country is a broad and varied decorating style that gained momentum about 20 years ago. In this general category, three distinct substyles are seen. One is an Americanized English country look: sweet and soft, with flowery chintzes and spriggy ceramics. Another is clean, spare and modern,

rooms "mainly for transplanted Easterners," reported seeing skulls being sold from trucks by the side of the Pacific Coast Highway.

Many style historians attribute the genesis of the American country style to the designer Sister Parish. In the mid-'60s, when Parish was doing her house in Dark Harbor, Maine, she bought 100 pieces of golden oak farmhouse furniture at a barn sale for \$100.

She painted the pieces all white. When shown in the January 1967 issue of House & Garden, the house dazzled decorators the way Christian Dior's 1947 New Look did the fashion world. Along with the white furniture were painted floors, handmade cotton rugs, a mix of three or four softly colored chintzes, paintings of dogs and all kinds of needlework.

Parish called it old-fashioned, but it didn't look like work found in any farm home, past or present.

Two decades later, there seems to be enough white wicker to circle the globe, and the number of chintz patterns has reached the thousands.

"Anyone can enjoy feeling like a connoisseur," Mark Hampton, an Indiana-born decorator based in New York, said. "Whether you're talking about cookie cutters or old screwdrivers, anything can be a collectible and can be displayed."

Mary Emmering, a country stylist and an author, said, "I have stored away my wooden watermelons and brought in some ram skulls." Karin Binko, a Los Angeles decorator who does a lot of country

U.S. Pop Hits China's Air

By Daniel Southerland
Washington Post Service

BEIJING — With a dream of reaching two billion ears, a team of American pop music promoters is bringing Michael Jackson, Huey Lewis and John Denver to a receptive but slightly confused Chinese radio audience.

Pushing the frontiers of pop, the Californians have had to overcome Chinese red tape and relatively mild censorship to broadcast the first American pop music shows on China's radio network.

The reaction from Chinese young people to the twice-weekly one-hour programs has been positive. Still, some university students said they found it "too hard to follow the rhythms."

"The electronic music machines make a noise like someone screaming," said a 20-year-old male student in blue jeans and sneakers.

Many Chinese see the programs as an opportunity to learn about American culture, but few in this far-from-hip radio audience can understand the lyrics.

Donald J. Altfeld, a physician and songwriter who heads the company coproducing the shows, says the Chinese have no problem accepting John Denver, but Michael Jackson is another matter. The censors approved most of his song "Bad" for the first show, April 17. But four words had to go, and Altfeld's engineer deleted the phrase "your butt is mine."

The Chinese censors will have their hands full if Jackson performs in Shanghai this summer. A pro-Communist newspaper in Hong Kong says that Jackson is indeed coming. The censors may be able to control his words, but his hips may prove more challenging.

Altfeld says he's submitted 484 songs to Chinese radio officials so far and they have rejected about half a dozen.

"Roll Over Beethoven" was re-

jected because the Chinese found the song disrespectful. Altfeld said he could understand the problem with that song, but that he was still puzzled over why they rejected Olivia Newton-John's "I Honestly Love You."

Simon and Garfunkel's "Bridge Over Troubled Water" was almost rejected because the Chinese translation of the title, "Bridge Over Dirty Water," made the song sound indecent.

Officials are now trying to decide whether to accept Michael Jackson's "Rock With You," which offends with the line "I want to rock with you all night."

"They've given a new meaning to the words rock tape," said Jim Pierce, 32, a producer from Los Angeles. "We've had people trying to explain to Chinese bureaucrats what 'golly gee-whizz' means. And trying to explain jazz... is like explaining skateboarding or surfing."

Altfeld, 48, who produced the song "It Never Rains in Southern California," and who calls himself "The Doc of Rock," worked through "very influential friends" in Washington to get President Ronald Reagan to endorse the first show with a 50-second recorded introduction.

"Ni hao," says Reagan in his message, using the standard Chinese greeting. "Music is the universal language... We hope that this important cultural exchange is the beginning of even greater understanding, cooperation and friendship between our two great nations."

It was a coup for Altfeld to get the president's participation in what is a commercial venture designed to make a profit through advertising.

Reagan introduced the first program, which opened with Huey Lewis and the News in "The Heart of Rock 'n' Roll," followed by John

Denver's ballad "Take Me Home, Country Roads" and Lionel Richie's love song "Hello." The programs range from rock to country music, rhythm and blues, and a few jazz numbers.

Long Zhen, a veteran female announcer and Chinese host for the programs, provides commentary in Chinese during the programs, which are broadcast Thursday evenings and Sunday mornings.

The Chinese have been exposed for several years now to pop singers from Hong Kong and Taiwan, and much of their own pop music reflects that influence. Chinese radio has carried snatches of American pop music before, but never in such concentrated doses.

Only five years ago, Communist Party officials branded Western pop music as a form of "spiritual pollution." And just a year ago, when the party was pursuing yet another campaign against "decadent bourgeois influences," no one would have imagined hearing Michael Jackson's "Bad" on Chinese radio.

The joint venture agreement between Altfeld's Santa Monica company and the Chinese national radio network follows an earlier agreement to permit a Beijing performance in 1985 by Wham!, the first internationally known Western pop music group to play in China. But Wham!'s miniskirted female musicians offended some officials, and when a trumpet player had a drug-related seizure on the plane leaving Beijing it played badly by the authorities.

The country's doors closed for a while to pop musicians, and then at the end of 1986 Jan and Dean hit Shanghai. The California singers' beach music did not produce good vibrations during their first night in China's largest city, where surfboards are rarely seen.

Julio Iglesias, the internationally known crooner, gave a 90-minute televised concert here recently that was well received, according to the official English-language China Daily. Iglesias, the paper said approvingly, "did not dance around or jump up and down to manipulate his audience."

Altfeld is negotiating to get several American companies to advertise on the new radio program at a cost of \$5,000 a minute. He argues that it is the most inexpensive advertising in the world, considering that China has an estimated 500 million radios.

China has no rating service, so there is no precise way of knowing how well Altfeld's "American Music Hour" is doing. But the China People's Broadcasting Station has been deluged with letters from new fans ever since the first show was broadcast.

The ESCADA Corner in Paris Export discount Marie-Martine 8 Rue de Sévres, Paris 6th.

Leather craftsman for the best designer labels. MERLENDER presents his own collection for his/her superb custom-made Leather Fur Rotwear

DOONESBURY



Save 40% or more off your newsstand price when you subscribe for 12 months to the International Herald Tribune. The longer you subscribe the more you save. Table with columns: Country/Currency, 12 months +52 ISSUES SAVINGS, 6 months +26 ISSUES SAVINGS, 3 months +13 ISSUES SAVINGS.

INTERNATIONAL Herald Tribune. To: Subscription Manager, International Herald Tribune, 181, Ave. Charles-de-Gaulle, 92521 Neuilly Cedex, France. Tel.: (1) 46 37 93 61. Fax: 612832. Please check the subscription term you desire: 52 extra issues with a 12-month subscription (364 issues in all).

The Women's Institute for Continuing Education of The American College in Paris extends its warmest thanks to the generous sponsors of its 10th anniversary celebration. List of sponsors including Arthur Pierre, Booz-Allen & Hamilton Inc., Champagne Charles Heidsieck, Delta Airlines, Ecole de Cuisine La Varenne, George Clark Publicity and Printing, International Herald Tribune, JP Morgan, Les Caves de La Madeleine - Steven Spurrier, Medias Graphiques Modernes, Nina Ricci, Perrier, Vin de Californie - Bruce MacLumber.

Vertical text on the right edge of the page, including 'Talk it The info th', 'INTERNAY', 'London Dublin G', 'CULTY', 'Inter', 'Deposits', 'Rates'.

Talk it over with DKB. The international bank that listens.

INTERNATIONAL STOCK MARKETS If London or N.Y. Sneezes, Dublin Gets Pneumonia

DUBLIN — The small Dublin Stock Exchange has done better so far this year than London or New York, but analysts doubt that it can soon reach the giddy heights it scaled ahead of October's stock market collapse.

Slim Gain In Japan's Housing Starts in April Rose a Scant 2%

TOKYO — Growth in the Japanese housing industry slowed to a crawl in April after nearly two years of double-digit monthly increases, the government reported Monday.



Silvio Berlusconi in his Milan office. Analysts say the power he wields through his control of Italy's publishing and electronic media is unmatched in most other nations.

They're Seeing Spots on Soviet TV Beaming Ads East, Italy's Media Man Expands Empire

By Steven Solomon. ROME — Earlier this month, Soviet television viewers got their first look at an American commercial — for Pepsi-Cola — as part of a Soviet experiment with foreign TV advertising.

Drinks Groups Join in Bid for Irish Distillers

DUBLIN — The drinks companies Cantrell & Cochrane Group Ltd. and Gilbey's of Ireland Group Ltd. said Monday that they would make a joint offer for the ordinary share capital of Irish Distillers Group PLC.

Bids Extended 2d Time for Tèlemècanique

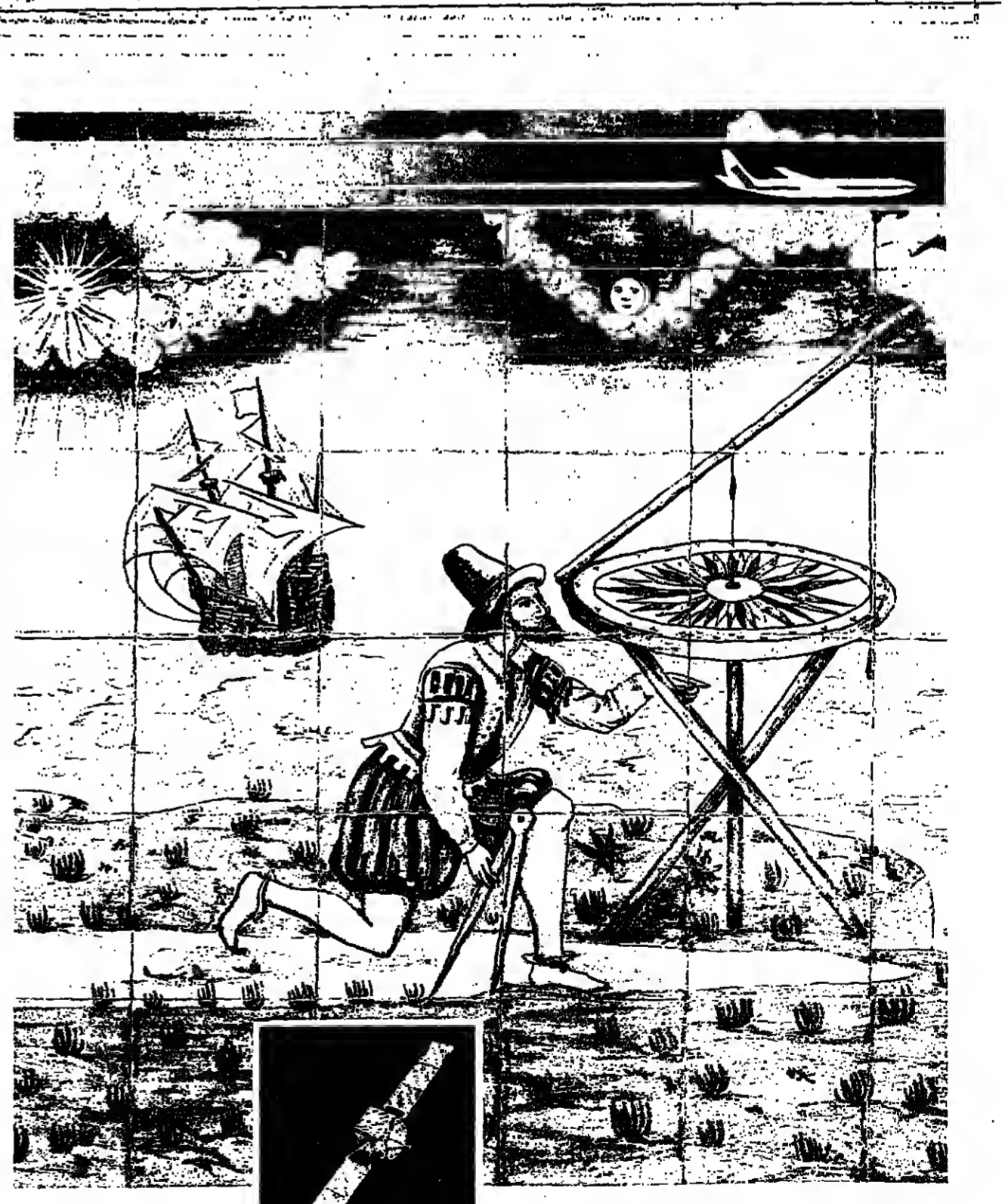
PARIS — The closure of bids for control of the industrial electronics group Tèlemècanique has been postponed a second time while the two bidders make renewed efforts to find a friendly solution.

BRENDAN DOWLING, head of strategy at Davy Stockbrokers, forecast that corporate earnings in this calendar year would rise by about 30 percent.

"Turnover in the market is well down on 1987 but is still 25 percent above where we were in 1986," he added. "The levels we are seeing are still very buoyant but without the froth of 1987, I wouldn't be shedding too many tears."

In Japan, a New Boom For Venture Capital But This Time, the Craze Is Low-Tech

By Patrick L. Smith. TOKYO — When the venture capital industry swept Japan a few years ago, it was a buzz like any other in many respects. Instead of James Dean posters or old Coca-Cola signs, high-tech in a current "retro" boom, enthusiasts traded in high-technology startups and lots of yen.



TAP Air Portugal became the first airline to use satellite data communications on a transatlantic flight on board its Lockheed L-1011, "Bartolomeu de Gusmão."

Currency Rates

Table with columns for Cross Rates, Other Dollar Values, Forward Rates, and Eurocurrency Deposits. Includes exchange rates for various currencies like the Dollar, Swiss Franc, and Japanese Yen.

Interest Rates

Table showing Eurocurrency Deposits and Key Money Rates for various terms like 1 month, 3 months, and 6 months.

Asian Dollar Deposits

Table showing Asian Dollar Deposits for 1 month, 3 months, and 6 months terms.

U.S. Money Market Funds

Table showing U.S. Money Market Funds with columns for Merrill Lynch Ready Assets and Telestar Interest Rate Index.

Gold

Table showing Gold prices for various locations including Hong Kong, London, Zurich, and New York.

Telefónica Nears Accord To Revamp Moscow Phones

MADRID — Soviet and Spanish officials are to sign an agreement this week that would gradually replace Moscow's antiquated public telephones with a modern Spanish-designed system.

Hope

Drum

Sources: Reuters, Bank of Tokyo (Tokyo); IMF (SDR); BAI (dollar, rival, dollar); Gosbank (ruble). Other data from Reuters and AP.

Sources: Reuters, Merrill Lynch, Telestar.

We fly the face of History. NAVIGATOR CLASS top executive.

BUSINESS ROUNDUP

Nissan Net Profit Fell 17.2% in Year

Compiled by Our Staff From Dispatches
TOKYO — Nissan Motor Co., Japan's second largest automaker, reported Monday a slight decrease in parent company sales but a sharp fall in net income in its past financial year.

Parent company operating profit for the year ended March 31 was 47.61 billion yen (\$38.4 million), compared with a loss of 8.45 billion yen in 1987. Net profit fell 17.2 percent, to 38.58 billion yen from 46.61 billion a year earlier.

Of the 2.2 million vehicles manufactured domestically, half will be exported, he said, and almost all vehicles made abroad will be sold abroad.

Nedlloyd Stock Falls as Rumor Of Bid Quashed

AMSTERDAM — Nedlloyd NV's stock fell Monday after a major shareholder dispelled rumors that he would bid for the transport group.

Fokker, Seeing a Profit, Seeks to Limit Government Stake

AMSTERDAM — Fokker NV said Monday that it expects a small 1988 profit after a loss last year and that it wants to renegotiate a deal giving the Dutch government a 49 percent stake in the airplane maker.

As part of the plan, government credits were converted to equity in the company. The government was to raise its stake to 49 percent via rights issues, which give existing stockholders the opportunity to buy new shares.

A spokesman for the Economic Affairs Ministry said Fokker has not contacted the government, and he declined further comment.

Mitsubishi Chemical To Change Its Name

TOKYO — Mitsubishi Chemical Industries Ltd., Japan's largest integrated chemical company, said Monday that it would change its name to Mitsubishi Kasei Corp. effective Wednesday.

Japan's domestic car market is expected to be buoyant in 1988-89 and sales of luxury cars will show a sharp increase in percentage terms, Mr. Uchiyama said.

U.S. Orders For Machine Tools Decline

NEW YORK — Orders for U.S.-made machine tools declined 0.6 percent in April from March, to \$253 million, the industry's trade association reported Monday.

Demand for U.S. Steel May Slacken 2-Year Boom Imperiled by Weakening Consumer Sector

By Jonathan P. Hicks
NEW YORK — After nearly two years of steady increases, shipments and profits in the American steel industry may have peaked, industry observers say.

There is little consensus on the level of impending declines in steel shipments, Mr. Jacobson predicted that shipments would fall to 36.8 million tons in the second half of the year, down from 41.8 million tons in the first half.

Despite their predictions of declining demand, industry executives and economists said steel production will remain strong, particularly if import restrictions on foreign-made steel are extended beyond next year.

Alitalia Expected to Announce an Alliance

ROME — Italy's state airline, Alitalia SpA, may announce accords or joint ventures with other carriers at a news conference on Tuesday, industry sources say.

It added that such an agreement would be intended to create "a multinational of the skies."

In another industry development, Swissair AG announced Monday that it had gotten a 3 percent stake in Austrian Airlines as part of the carrier's partial privatization last week.

Inco Grants Inflation Guard

TORONTO — Union workers at Inco Ltd. have won inflation protection for pensions for the first time, and other Canadian mining companies will be pressured to match those contract gains, analysts said Monday.

ADS: Italian Media Magnate Bringing Spots Before Soviet Viewers' Eyes

(Continued from first finance page) local stations, and broadcasts live sports to Italy through a Yugoslav station. His publishing interests include the country's most widely sold weekly magazine, TV Sorriso e Canzone, carrying TV program details and feature stories. He operates 25 percent of the nation's movie theaters.

The national championship soccer team. Estimates differ on the size of this privately owned empire, but in 1987, consolidated sales of the roughly 150 companies were equivalent to about \$1.9 billion, with a pretax profit margin of about 11.5 percent, or \$218 million. Sales growth is running at about 20 percent a year.

deeply involved in creative work at his TV stations, even offering casting suggestions. "He loves to start things from zero," said a former manager. "Someone else must organize things; he is less interested in financial problems and management."

he entered the wild market for regional broadcast that was springing up alongside RAI, which had a monopoly on national, live broadcasts. Rules allowing private TV were expected. "I started my TV business with \$2.5 million from my other businesses," Mr. Berlusconi said.

French Company Handbook 1988

Now in the 1988 completely revised and updated edition, almost 200 pages of indispensable information in English on a selection of 85 of the most important French companies, as well as basic facts on other major firms. Includes information on the French economy and major sectors of activity, an introduction to the Paris Bourse, and a bilingual dictionary of French financial terms.

Form for ordering the French Company Handbook 1988, including fields for name, position, company, address, and city/country/code.

INTERNATIONAL CLASSIFIED

Advertisement for International Classified, featuring sections for Employment, Autos Tax Free, Holidays & Travel, and Low Cost Flights.

Advertisement for Escorts & Guides, listing various services and agencies such as Zurich 558720, Geneva + Melodie, and London Executive Connection.

Vertical advertisement on the right edge of the page, partially cut off, mentioning 'Currency M' and 'Dollar Rise'.

CURRENCY MARKETS

Dollar Rises on Rate Speculation

Compiled by Our Staff From Dispatches FRANKFURT — The dollar gained in European trading on Monday, boosted by speculation that U.S. interest rates will rise and "optimism that a technical rally will continue."

had been exaggerated by the thin market. "People hadn't been expecting much action with London and New York closed, so the rise caught them by surprise," one dealer said.

He noted that the Bank of England has repeatedly intervened over the last few weeks but only in small amounts and with little effect. "I don't think the pound is going to stop rising before it reaches 3.20 at least," he said.

Survey Says Strong Pound Hitting Exports

LONDON — British exporters are suffering from the strength of the pound, according to a survey by the Confederation of British Industry released Monday.

Sweden Is Relaxing Rules On Corporate Investment

STOCKHOLM — Sweden's central bank said Monday that it was relaxing exchange controls governing foreign investment in the country and the purchase of foreign shares by Swedish companies.

In addition, to be exempt, investment must be within the production, assembly, transport or sales sectors. For other direct investments, the permission of the central bank will continue to be required.

Bonn, Paris Agree on Stable Dollar

PARIS — The French finance minister said Monday that he had agreed with his West German counterpart on the importance of stabilizing the dollar at its current value.

VENTURE: In Japan, the Emphasis Is on Low-Tech

(Continued from first finance page) expect the pool of limited-partnership funds to grow by about 20 percent this year, to 266 billion yen.

Among companies that have already started toward an initial public offering, At Jafco, for instance, only 13 percent of the 68.8 billion yen the company has invested has gone into startup ventures.

But because of changes last year in U.S. regulations governing capital gains taxes, the U.S. industry is now coming to resemble Japan's. Mezzanine financings in the United States nearly doubled between 1985 and 1987, to just under \$1 billion, while most startup investments went into lower-risk service businesses.

STREET: U.S. Brokers Study New Staff Reductions

(Continued from page 1) has a severe impact on smaller firms, industry officials said. "It is conceivable that there will be some firms getting out of business lines, getting bought up, or going out of business," said Jeffrey B. Lane, president and chief operating officer of Shearson Lehman Hutton Inc.

"The mood on the street is restless and anxious," said Alan R. Ackerman, senior vice president of Grant & Co. "There is a high degree of uncertainty out there."

is down about 15 percent from the previous year. Dwindling volume is the biggest threat to jobs in the industry, according to a recent study on the New York economy by New York University's Urban Research Center.

Paris Commodities

Table with columns: Commodity, High, Low, Close, Bid, Ask, Chgs. Includes items like SUGAR, COFFEE, and various metals.

Advertisement for Audemars Piguet watches. Features images of three watches: The automatic Tourbillon, the Perpetual Calendar, and the automatic Chronograph. Text includes 'THE MECHANICAL MASTERPIECES' and 'Audemars Piguet La plus prestigieuse des signatures.'

Advertisement for Indigo Take-off. A leading shoe manufacturer offers 12 times earnings while shares of the fast-growing microcomputer shoe trader are available for less than 10. Includes contact information for Indigo Investment S.A.

Large table titled 'INTERNATIONAL FUNDS (Quotations Supplied by Funds Listed) 30th May 1988'. Contains numerous columns of fund names, symbols, and prices. Includes a sub-section for 'Selected U.S.A./O.T.C. Quotations' with items like Alan Jones PFI Stop 2, 24, etc.

Advertisement for Chemical B Home Loans. 100% UK Mortgages for E. *fast, personalised service. *funds immediately available. Phone our mortgage consultants on 01-384 36.

Advertisement for FIDELITY INTERNATIONAL FUND. Société d'investissement à Capital Variable. 13, Boulevard de la Foire, Luxembourg. NOTICE OF GENERAL MEETING. A General Meeting of shareholders was convened for March 17, 1988 but, because of a lack of quorum, could not validly deliberate on item 9 of the agenda and was adjourned.

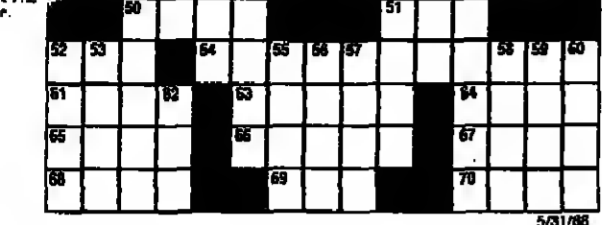
Handwritten signature: J. J. in Lito

BUSINESS ROUNDUP

Nissan Net P

TOKYO — Nissan Motor Japan's second largest auto reported Monday a slight...

Parent company's 47.61 billion compared with the previous year's 47.2 billion.



ACROSS 1 Pakia or Bakes... 43 Immigrants' island... 45 'Toa' nobis...

PEANUTS



BLONDIE



BEETLE BAILEY



ANDY CAPP



WIZARD of ID



REX MORGAN



GARFIELD



DENNIS THE MENACE



WEATHER

Table with weather forecasts for Europe, Middle East, Oceania, and Asia.

Advertisement for Goldstar TVs and VCRs, featuring the Goldstar logo and product details.

BOOKS

IN SEARCH OF J.D. SALINGER

By Ian Hamilton. 222 pages. \$17.95. Random House, 201 East 50th Street, New York, N.Y. 10022.

Reviewed by Christopher Lehmann-Haupt

IAN HAMILTON ends his controversial and long-delayed book, "In Search of J.D. Salinger," on an ever so faintly bitter note.

He admits that he can hardly rejoice that, whatever happens, my name and J.D. Salinger's will be linked in perpetuity as those of litigants or foes...

Still, when he asks himself why he doesn't feel "more victimized," he has to admit that when "this whole thing began," there was more to it than "mere literary whimsy."

This resolves, with something of a whimper, a drama that began for Hamilton as it did for many of us, when as an adolescent he read Salinger's novel "The Catcher in the Rye," fell in love with it, found it to have possessed him, and desired to possess Salinger in return.

But this is only the most elementary drama in a book with so many conflicting themes that in time it comes to seem less a study of a

and more a study of the act of studying a writer. Not that a conventional biography doesn't emerge from the many layers of this rich and...

There is Salinger as a student at Valley Forge Military Academy, on the one hand the cynically straight-faced "joiner" who wrote a...

And, of course, there is a careful examination of that withdrawal. Hamilton respectfully avoids analyzing it psychologically, but he leaves the distinct impression that, despite its many subtle motives, it was undertaken not least of all to gain Salinger the very attention he purposed to loathe.

Yet Salinger is not the only one who comes out playing ambiguous games in these pages. Hamilton, too, seems to be playing against himself.

On one hand, he is the writer who was only kidding when he set out to make up his mind about Salinger's privacy, who planned to write "a biography, yes, but it would also be a semi-journal in which the biographer would play a leading, sometimes comic, role."

On the other hand, he is his own alter ego, the aggressive biographer who not only insisted on digging out the facts on Salinger's life, but who also hoped in the process to smoke out Salinger himself, or so we are led to suspect.

Christopher Lehmann-Haupt is on the staff of The New York Times.

Solution to Previous Puzzle

Grid solution for a crossword puzzle with words like REAP, PASTA, CAT, etc.

CHESS

By Robert Byrne

ONCE again an Icelandic player has triumphed on home ground. Following the success of Joo Aronson in the earlier Reykjavik Open Tournament, his fellow grandmaster Johann Hjartarson won the \$3,000 first prize in the Reykjavik Invitational Tournament.

Hjartarson, who is a quarter-final world champion candidate, went undefeated in scoring 8-3 in the round-robin competition. The Soviet grandmaster Lev Polugayevsky came second with 7½-3½, a half-point ahead of the Icelandic grandmaster Marger Petursson, who took third place.

This time Aronson was held to a fourth place tie with the Soviet grandmaster Mikhail Gurevich. Both had 6½-4½.

10 his game with the Icelandic international master Karl Thorstein. Hjartarson tried out a quite new idea, but he won only with great difficulty.

To forestall the looming introduction of P-K4? in his game with Nigel Short in Belgrade last year, one point is that 8... Nxf7? 9 Bx8, KxB.

However, the coding was out (9... Qx8? 10 Nxf7, Pxf7; 11 Qx8? Q-Q7; 12 Qx7 is a disaster for Black); 10 Nxf7, Pxf7; 11 Qx8? Q-Q7; 12 Qx7 is a disaster for Black; 10 Nxf7, Pxf7; 11 Qx8? Q-Q7; 12 Qx7 is a disaster for Black.

After 10 Qx8? Short had pawns with 30 Rxf7, Pxf7; 31 played 10... K-B7?; 11 B-B4, K-N2; 12 O-O, R-K1; 13 Q-B4, which may be sufficient for Black — who nevertheless lost.

After 10... Q-K2; 11 B-B4, Alexander Belyavsky permitted himself a weak pawn with 11... B-K3; 12 BxB, QxB; 13 QxQch, PxQ; 14 O-O-O against Jesus Nogueiras in the recent World Cup Tournament in Brussels. Black actually won after Nogueiras made endgame errors, but this line of play does not inspire confidence.

Thorstein's 11... B-N5 was probably based on the idea of a rookside 12 N-K5 by Black. 12... B-B4; 13 Q-K3, B-K3. Of course, after Hjartarson's 12 O-O, it would have been better to take a pawn with defense and after 40 Rxf7, KxR; 41 P-N7, all became clear — it was useless to proceed with K4, N-Q2; 16 P-B4; 17 Q-K3, winning a piece.

On 18 K-B4, it did not clear why Thorstein's did not play 18... P-B3 — 19 B-K6, R-Q1; 20 BxN, RxB; 21 Rxf7ch, R-N2; 22 R-K6, R/1-Q1; 23 R/1-K1, K-B1 would recover the lost black pawn. Instead, Thorstein's 18... P-KB4; 19 P-B4. One point is that 8... Nxf7? 9 Bx8, KxB.

However, the coding was out (9... Qx8? 10 Nxf7, Pxf7; 11 Qx8? Q-Q7; 12 Qx7 is a disaster for Black); 10 Nxf7, Pxf7; 11 Qx8? Q-Q7; 12 Qx7 is a disaster for Black; 10 Nxf7, Pxf7; 11 Qx8? Q-Q7; 12 Qx7 is a disaster for Black.



Position after 28... P-QN4

Rxf7, his plan being to take advantage of the knight's distance from the connected queenside pawns.

Thorstein failed to muster a defense and after 40 Rxf7, KxR; 41 P-N7, all became clear — it was useless to proceed with K4, N-Q2; 16 P-B4; 17 Q-K3, winning a piece.

On 18 K-B4, it did not clear why Thorstein's did not play 18... P-B3 — 19 B-K6, R-Q1; 20 BxN, RxB; 21 Rxf7ch, R-N2; 22 R-K6, R/1-Q1; 23 R/1-K1, K-B1 would recover the lost black pawn.

Instead, Thorstein's 18... P-KB4; 19 P-B4. One point is that 8... Nxf7? 9 Bx8, KxB.

However, the coding was out (9... Qx8? 10 Nxf7, Pxf7; 11 Qx8? Q-Q7; 12 Qx7 is a disaster for Black); 10 Nxf7, Pxf7; 11 Qx8? Q-Q7; 12 Qx7 is a disaster for Black.

After 10 Qx8? Short had pawns with 30 Rxf7, Pxf7; 31 played 10... K-B7?; 11 B-B4, K-N2; 12 O-O, R-K1; 13 Q-B4, which may be sufficient for Black — who nevertheless lost.

After 10... Q-K2; 11 B-B4, Alexander Belyavsky permitted himself a weak pawn with 11... B-K3; 12 BxB, QxB; 13 QxQch, PxQ; 14 O-O-O against Jesus Nogueiras in the recent World Cup Tournament in Brussels. Black actually won after Nogueiras made endgame errors, but this line of play does not inspire confidence.

Thorstein's 11... B-N5 was probably based on the idea of a rookside 12 N-K5 by Black. 12... B-B4; 13 Q-K3, B-K3. Of course, after Hjartarson's 12 O-O, it would have been better to take a pawn with defense and after 40 Rxf7, KxR; 41 P-N7, all became clear — it was useless to proceed with K4, N-Q2; 16 P-B4; 17 Q-K3, winning a piece.

On 18 K-B4, it did not clear why Thorstein's did not play 18... P-B3 — 19 B-K6, R-Q1; 20 BxN, RxB; 21 Rxf7ch, R-N2; 22 R-K6, R/1-Q1; 23 R/1-K1, K-B1 would recover the lost black pawn.

World Stock Markets

Table showing stock market data for Amsterdam, Johannesburg, London, Sao Paulo, Zurich, and Tokyo.

Market Closed The stock market in London, Singapore were closed Monday for a holiday.

Table showing stock market data for Madrid, Sao Paulo, Zurich, Tokyo, and other international markets.

Large financial section containing various market indices, exchange rates, and company performance data.

Vertical sidebar on the right edge of the page with various advertisements and notices.

SPORTS

Celtics Nip Pistons, 79-78, Tying NBA Playoff Series at 2-2

The Associated Press
PONTIAC, Michigan — Dennis Johnson broke a tie by hitting one of two free throws with eight seconds left and the Boston Celtics evened the NBA Eastern Conference finals at 2-2 with a 79-78 victory over the Detroit Pistons on Monday.

Mavericks Tie Lakers

By William C. Rhoden
New York Times Service
DALLAS — Suddenly, the National Basketball Association playoff that so many Los Angeles fans thought might be over in four games has turned into a nightmare for the Lakers.



It wasn't alligators or Boris Becker but rain that sent Henri Leconte fleeing during a stormy day at Roland Garros. The 11th-seeded Leconte beat the fifth-seeded Becker, 6-7 (5-7), 6-3, 6-1, 5-7, 6-4.

Leconte Defeats Becker, Graf Wins and Sanchez Breeze On

By Robin Herman
New York Times Service

PARIS — Steffi Graf of West Germany, the No. 1 women's seed in the French Open, swept into the semifinals Monday, but the men's field again took a battering as constant rain delays and wicked winds plagued the tennis tournament.

scheduling on Tuesday of the match between top seed Ivan Lendl and No. 16 John McEnroe. Also set back a day was the fourth-round match between No. 4 Pat Cash of Australia and No. 14 Andrei Chesnokov of the Soviet Union. That winner faces Leconte in the quarterfinals.

Pirates' 18-Hit Attack Routs Braves, 14-2

The Associated Press
ATLANTA — Pitcher Doug Drabek tripled home a pair of runs in a six-run fifth inning and scattered eight hits over eight innings as the Pittsburgh Pirates routed the Atlanta Braves, 14-2, on Monday.

MONDAY BASEBALL
Lancaster was pressed into a starting role because of injuries to Rick Sutcliffe, Al Nipper, Bob Tewksbury and Scott Sanderson.

Danny Tartabull singled to center with two out in the seventh. Julio Franco extended his hitting streak to 18 games, the longest this season in the major leagues, with his fourth homer and a double.

A's 'Blow' Past Red Sox

Compiled by Our Staff From Dispatches
OAKLAND, California — The Boston Red Sox had no problems Sunday with pitcher Storm Davis, but a storm of another sort helped the Oakland Athletics win, 5-4, to sweep the three-game series and extend their winning streak to five.

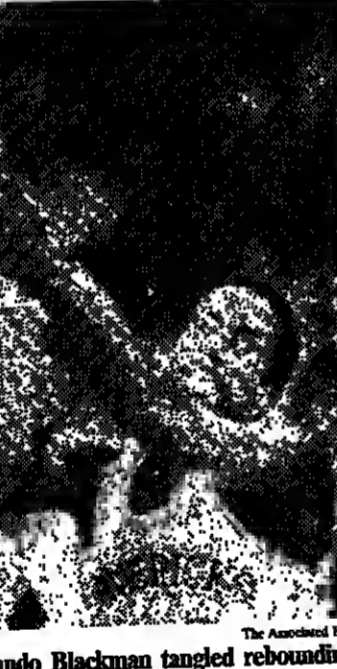
SUNDAY ROUNDUP

single in the eighth ended Baltimore's latest losing streak at four as Mike Boddicker, who allowed four hits in eight-plus innings, won his second straight following a personal 13-game losing streak.

NBA PLAYOFFS

seven Western Conference title series at two games each Sunday by pounding the league champion Lakers, 118-104, before a frenzied sell-out crowd at Reunion Arena.

After Mychal Thompson brought the Lakers to 95-92 on a hook shot with 7 minutes left, the Lakers scored for the next 3 1/2 minutes. Roy Tarpley, a 6-foot-11-inch (2.1-meter) Dallas center, sank a jumper with 5:59 left to start a 10-0 run.



Mychal Thompson and Rolando Blackman tangled rebounding, but it was the Lakers who came unraveled in a 118-104 defeat.

Major League Leaders

Table listing Major League Leaders for various categories like batting average, home runs, RBIs, etc.

Major League Standings

Table listing Major League Standings for American League and National League.

French Open Results

Table listing French Open Results for Men's Singles and Women's Singles.

Mexico City Grand Prix

Table listing Mexico City Grand Prix results for various categories.

SCOREBOARD

Table listing Baseball Sunday's Line Scores for various games.

TENNIS

Table listing Tennis French Open Results for Men's and Women's Singles.

AUTO RACING

Table listing Auto Racing Mexico City Grand Prix results.

INDIANAPOLIS 500

Table listing Indianapolis 500 results.

San Francisco 49ers

Table listing San Francisco 49ers vs Miami Dolphins game results.

Strange Wins U.S. Golf by 2 Strokes

DUBLIN, Ohio (AP) — Curtis Strange rallied with a five-under-par 67 Sunday to win the Memorial Tournament by two strokes over Hale Irwin and David Frost of South Africa.

BASKETBALL

Table listing Basketball NBA Playoffs and Major League Standings.

SCHEDULE

Table listing Basketball Eastern Conference Final and Western Conference Final schedules.

GOLF

Table listing Golf Indianapolis 500 results.

For the Record

Don Lalonde of Canada stopped Leslie Stewart of Trinidad with an overhead right in the fifth round of a scheduled 12-round bout Sunday in Port-of-Spain, Trinidad, to retain the WBC light heavyweight title. (AP)

Quotable

George Tompkins, the attorney representing the Mercury Bay Yacht Club of New Zealand: "The challenger is entitled to an America's Cup match, not a nautical dog and pony show."

Book Now

ACCESS/MISA/AMERICAN EXPRESS No. ... EXPIRY DATE ... NAME ... ADDRESS ... SEATS \$25 ... SEATS \$15 ... SEATING \$5

AMERICAN BOWL '88 advertisement with logos for TWA, Budweiser, and Wembley Stadium.

ART BUCHWALD

When Guns Need a Pal

WASHINGTON — When it was announced over the television that a very troubled lady in Wisconsin used three handguns to shoot several schoolchildren, Esteban...



Buchwald

"What are you doing?" I asked him. He said, "I'm a volunteer gun lobbyist and I have to get down to the office because the strapped is going to hit the fan."

Mansion for Sale: Only \$51 Million

LONDON — The Holme, a 40-room Regency-style mansion, is up for sale at \$51 million (about \$1 million). A California firm selling the 19th Georgian-style house said the price makes it one of the world's most expensive.

Met in Tokyo: Opera and Beer

By Susan Chira New York Times Service



A scene from the Met's 'Tales of Hoffmann' and Kathleen Battle in 'The Marriage of Figaro'.

TOKYO — With the trappings of rock star idolatry and more than a hint of commercialism, the Metropolitan Opera — 52 singers, 72 chorus members, 103 musicians, 50 technicians and 110 tons of scenery, musical instruments and costumes — has come to Japan.

The cachet of the Met and the chance to see Placido Domingo and Kathleen Battle, who have become household names in Japan through their television commercials for beer and whiskey, have drawn huge and enthusiastic crowds.

On opening night Wednesday, the company presented Offenbach's 'Tales of Hoffmann,' and Friday evening Mozart's 'The Marriage of Figaro.'

At both, the audience pressed near the stage, tossing cascades of flowers and straining to get a closer look at the singers, such as Japanese teen-agers greeted Michael Jackson and Madonna.

Many of the company's 14 performances were sold out a few hours after tickets went on sale last fall. As with so many other things here, price was no object.

The Met's presenter, the Japan Arts Corporation, sold 400 special three-opera tickets for \$790. Choice orchestra seats went for \$265.

Asahi Breweries, which features Domingo on its commercials for Asahi beer and Battle plugging Nikita whiskey, is billing the tour as the Asahi Beer Super Opera Big Special.

few years, Japanese people grew affluent and became aware that you can use money for other things than just possessions, that is, cultural activities.

It is just this combination of enthusiasm for opera and money to pay for the best that attracted the Met to Japan, said Bruce Crawford, the Met's general manager.

This, the Met's first visit to Japan after 13 years and only its fourth tour outside North America, is its most ambitious. The sets are as close as possible to those used in New York. The touring company totals 325 people and

includes many of the Met's top singers. "We are moving the real Met Opera, and it's a gigantic and expensive undertaking," Crawford said.

Japanese audiences remained blissfully unaware of these staggering logistics. Friday night at the opera, an elderly Japanese woman in a pale blue kimono sat attentively. She clutched a booklet, certifying that she was a member of the Placido Domingo Fan Club.

He hired round-the-clock truck drivers to rush the scenery cross country in three days to make sure it got on the boat to Japan. Even now, with the Met shuttling back and forth between two theaters in Tokyo, he is responsible for moving all the musical instruments, costumes, makeup kits, shoes, trunks and steamers.

PEOPLE

Pop Across the Wall

The East German figure skating star Katarina Witt will host a pop concert in East Berlin on June 19, while Michael Jackson performs in West Berlin, not far from the Wall dividing the city.

A Polish soprano, Agnieszka Wajska, won Belgium's prestigious International Queen Elisabeth competition on Monday. Wajska, a 24-year-old student at Warsaw University, crowned her presentation with an enthusiastically received scene from Verdi's 'La Traviata.'

The members of the United States' National Cartoonists Society rewarded several of their peers at their annual awards ceremony in San Francisco.

The first climbers to conquer Mount Everest celebrated the 35th anniversary of their assault on the world's highest mountain at a gathering at Base Camp No. 1 in northern Wales, where they had trained for the expedition.

Elizabeth Condon and Victor Novikov, separated for more than eight years by the Soviet government, were married in Lynnfield, Massachusetts, on the eve of the summit meeting between President Ronald Reagan and the Soviet leader, Mikhail Gorbachev.

Mount Everest separated for more than eight years by the Soviet government, were married in Lynnfield, Massachusetts, on the eve of the summit meeting between President Ronald Reagan and the Soviet leader, Mikhail Gorbachev.

Mount Everest separated for more than eight years by the Soviet government, were married in Lynnfield, Massachusetts, on the eve of the summit meeting between President Ronald Reagan and the Soviet leader, Mikhail Gorbachev.

Mount Everest separated for more than eight years by the Soviet government, were married in Lynnfield, Massachusetts, on the eve of the summit meeting between President Ronald Reagan and the Soviet leader, Mikhail Gorbachev.

INTERNATIONAL CLASSIFIED. A large grid of real estate and business listings. Includes sections for Monaco, Paris & Suburbs, Real Estate for Sale, Real Estate to Rent/Share, and various international real estate agencies.

International Business Message Center. A large grid of business and office services. Includes sections for Business Opportunities, Business Services, Office Services, and various international business centers.